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new entrepreneurs

FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY JUNE 11 1993

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Top-level attacks on ousted UK finance minister

Norman Lamont, recently removed as UK chancellor of the exchequer (finance minister), was subjected to a barrage of criticism from members of the ruling Conservative party as John Major's government struggled to find stability. Sir Norman Fowler, party chairman, accused Lamont of "thrashing around" in a "nasty", "hysterical" way to protect his reputation and one minister called Lamont "third-rate". Page 6

Tokyo split on recession: Japanese ministers are arguing in public whether the two-year downturn in the Japanese economy has come to an end and an economic planning minister claimed the recession had bottomed out. Page 12

German flexi-working plans: Changes in German labour laws allowing more flexible weekly shift and night working were recommended by economy minister Günter Rexrodt. Page 2

Indonesia in \$770m Hawk jets deal



British Aerospace, UK aircraft manufacturer, has won a contract estimated to be worth \$500m (\$770m) to supply 34 Hawk combat trainer jets to Indonesia. The deal, signed secretly last week, is the biggest military export deal by the company outside Saudi Arabia. Page 5; Boeing and Airbus work on super-jumbo. Page 3; Aerospace and Deutsche Aerospace missile merger. Page 16

Fears over Ferruzzi Shares: Italy's troubled Ferruzzi group fell further as concern grew about a rescue deal being worked out with its bankers and controversy over the size of its borrowings. Page 13; Lex, Page 12; World stocks, Page 31

Yeltsin sees delay on constitution: Russian president Boris Yeltsin believes his constitutional convention assembly could take a month-long break since it will probably not produce a draft constitution as quickly as he had hoped. Page 2

LVMH, French luxury goods company which owns Moët-et-Chandon champagne and Louis Vuitton luggage, warned of a cut in net profits for the first half of 1993 even though full-year profits would match the 1992 figure. Page 13

Euro-expansion sought: Britain's largest venture capital group, aims to raise a \$300m-\$400m fund to finance expansion of its investment activity in continental Europe. Page 13

Pilkington, UK glass maker, cut its annual dividend by a third to 4p. The company said there had been "a dramatic collapse" in the German market. Lex, Page 12; London stocks, Page 31; Details, Page 21

Zeneca issues: Sub-underwriters of the £1.3bn (\$2bn) rights issue by Zeneca, pharmaceuticals division spun off from ICI, fear they may not be able to dispose of the shares profitably. Page 13

Canada leadership race: Defence minister Kim Campbell and environment minister Jean Charest are neck and neck in the race to lead Canada's ruling Progressive Conservative party. Page 5

Bid for Boston Globe: The New York Times is understood to have bid about \$1bn for Affiliated Publications, parent company of the Boston Globe, 13th biggest US newspaper. Page 15

Cambodia break-up fear: The ruling Cambodian People's party warned of moves to set up an autonomous zone in eastern Cambodia leading to the nation's break-up. Page 4

Swiss bank director dies: Peter Daetwyler, director of the financial group CS Holding and its main subsidiary, Credit Suisse, Switzerland's third-largest bank, died in Winterthur after shooting himself.

Cannabis haul: French customs agents in Le Havre seized more than two tonnes of cannabis worth about \$15m hidden in containers bound for Canada.

Mafia suspects captured: Police arrested Raffaele Ganci and his son Calogero, two suspected associates of Salvatore "Totò" Riina, the reputed overlord of the Sicilian Mafia.

Les Dawson: British comedian and quiz-show host Les Dawson died, aged 59.

STOCK MARKET INDICES		STERLING	
FT-SE 100	2860.0	(-6.9)	New York lunchtime
Yield	4.03		\$ 1.519
FT-SE Eurotrack 100	1181.45	(-0.14)	London
FT-A All-Share	1414.84	(-0.2%)	\$ 1.5195 (1.515)
Nikkei	20483.32	(-0.192)	DM 2.4825 (2.480)
New York lunchtime			FF 8.35 (8.3475)
Dow Jones Ind Ave	3486.15	(-15.78)	Sfr 2.23 (2.235)
S&P Composite	444.89	(-0.89)	Y 181.5 (181.55)
US LUNTIME RATES			S Index 79.3 (79.4)
Federal Funds	3%		
3-mo Treas Bill Yld	3.188%		
Long Bond	103.1		
Yield	6.876%		
LONDON MONEY			
3-mo interbank	5.11%	(5.13%)	
Little long gilt future	Jun 105 104.10		
NORTH SEA OIL (Argus)			
Brent 15-day (July)	\$18.21	(18.24%)	
Gold			
New York Comex (Aug)	\$371.0	(373.0)	
London	\$369.25	(372.5)	

Austria	Sch30	Germany	DM3.30	Lux	LF60	Qatar	QR12.00
Belgium	Bel200	Greece	Dr200	Malta	LM0.00	Saudi	SAR1.00
Denmark	DKK50	Hungary	HUF100	Morocco	MA100	Singapore	S\$4.00
Finland	FM100	Ireland	Ir100	Netherlands	NL100	South Africa	Rand100
France	FF100	Italy	Li100	Portugal	Esc100	Spain	Pes200
Germany	DM100	Japan	Yen100	Sweden	Skr100	Switzerland	Sfr100
Greece	Dr100	Korea	Won100	Switzerland	Sfr100	Taiwan	N\$100
Hong Kong	HK\$100	Malaysia	RM100	UK	£100	Thailand	THB100
India	Rs100	Philippines	Php100	USA	\$100	Turkey	Lira100
Indonesia	Rp100	Singapore	S\$100			Yemen	YR100
Italy	Li100	Taiwan	N\$100			Zimbabwe	Z\$100
Japan	Yen100	Thailand	THB100				
Korea	Won100	Turkey	Lira100				
Malaysia	RM100	Yemen	YR100				
Malta	LM0.00	Zimbabwe	Z\$100				
Morocco	MA100						
Netherlands	NL100						
Portugal	Esc100						
Sweden	Skr100						
Switzerland	Sfr100						
Taiwan	N\$100						
Thailand	THB100						
Turkey	Lira100						
UK	£100						
USA	\$100						
Yemen	YR100						
Zimbabwe	Z\$100						

Allies appear to disagree over deployment of forces in Bosnia

Nato offers warplanes to protect UN troops

By Robert Mauthner in Athens

NATO is to offer warplanes to defend United Nations troops in Bosnia against attack, although the allies appeared to disagree over the circumstances in which they would be deployed. The decision came in response to a suggestion by Mr Boutros Boutros-Ghali, the UN secretary-general, that Nato should be given the task to provide such protective air power on the UN's behalf. It was made public at the beginning of a two-day Nato foreign ministers' meeting in Athens.

It was also announced that a Nato summit, proposed by US President Bill Clinton, would be held in December to give member countries an opportunity to adapt the alliance's agenda to the post-cold war world.

Significantly, the communiqué issued after the Nato council meeting does not restrict air protection in Bosnia to the six Muslim enclaves within the republic. "We offer our protective air power in case of attack against UNPROFOR (UN Protection Force) in the performance of its overall mandate," the document stated.

Mr Warren Christopher, US secretary of state, indicated this meant air power could be used to protect UN forces anywhere in Bosnia, if called on. What it did not mean was that air strikes would be used to protect the civilian population from attack.

Page 2

■ Fragile ceasefire between Croats and Muslims
■ Serbian companies count cost of sanctions

This interpretation was supported by Mr Douglas Hurd, the British foreign secretary, though Mr Alain Juppé, French foreign minister, was of the view that air power would be used only to protect UNPROFOR troops in the officially designated safe areas.

The need to work out a common position on the former Yugoslavia, together with the wider but closely related issue of co-operation on world peacekeeping operations, are likely to figure prominently on the agenda of the Nato summit, due to be held at a venue in Europe.



Nato secretary general Manfred Wörner (first row, left) chats with US secretary of state Warren Christopher, (third left) during a photo call with Turkish foreign minister Hikmet Cetin (centre), British foreign secretary Douglas Hurd (right) and other Nato foreign ministers at the Athens meeting

Mr Christopher also announced yesterday that the US had offered to contribute 300 troops to the UN peacekeeping contingent in the former Yugoslav republic of Macedonia, which is presently about 700 strong, to prevent the Yugoslav conflict from spilling over into that newly independent country.

"This offer of US troops to the UN has both symbolic and tangible significance. These troops underscore the seriousness of our warning to Belgrade and the Bosnian Serbs," Mr Christopher told the Nato council. He stressed at a

news conference, however, that Washington persisted in its refusal to provide ground troops for the protection of Muslim "safe areas" in Bosnia. "Ground troops will not be sent in [to Bosnia] except to implement a peace settlement," Mr Christopher said.

It was not disclosed how many warplanes the US is offering to defend UN troops. Other countries which have offered to contribute to the air protection operations are France, Britain, the Netherlands and Turkey.

Mr Christopher was particularly outspoken in his warnings to Serbia and Montenegro. "We recall well the pledge trumpeted by the Belgrade authorities to close the frontier with Bosnia-Herzegovina. The world wants them to live by their word, and is watching with growing disappointment as they conduct business as usual," he said.

"Everyone should understand that the US will insist on the isolation of Serbia and Montenegro from the community of nations until all UN requirements are met. Pariah status is the price that must be paid for the aggression taking place."

Mr Sutherland, who takes over on July 1, would not confirm that he would be at the Tokyo summit. Nor was he prepared to comment on French opposition to the EC-US agreement on the farm chapter of the round, negotiated at Blair House in Washington last November.

"It seems to me that Blair House is the basis, and will remain the basis for discussions

New Gatt chief looks to G7 for leadership

By David Gardner and Tim Cooney

FAILURE to reach a market access agreement at next month's Group of Seven summit in Tokyo could sink prospects of concluding the Uruguay Round world trade negotiations, according to Mr Peter Sutherland, the newly-appointed director-general of the General Agreement on Tariffs and Trade.

"If there is a failure to deliver, then I think we have a serious crisis," Mr Sutherland said in an interview with the Financial Times yesterday.

Mr Sutherland was EC competition commissioner from 1985 to 1989 when he built up a formidable reputation for overcoming resistance from government ministers and powerful industrial lobby groups to breaking down internal EC trade barriers.

He sees the responsibility for

the task of dismantling world trade barriers as lying firmly with the industrialised nations.

Strong leadership and tough decisions by the US and European Community would be required if the round were to be successfully concluded by its December 15 deadline, he said.

"The G7 meeting in Tokyo would be the key to early progress, and he expected advances on market access. Agreements would then have to be extended beyond G7 countries to the developing world."

"A solution to the Uruguay Round is going to require a recognition of legitimate interests, particularly those of the developing world, which have to be taken into account by the developed world," he said.

"There has to be a recognition that the blow to confidence that would result from a failure of the round would be global and that

strength in negotiations does not depend on the ability to point a finger at who is to blame."

The Uruguay Round, he said, was the "sine qua non" for Gatt's future development into the more powerful multilateral trade organisation proposed by Mr Arthur Dhaeseleir, the outgoing director-general.

But in the short term the Gatt secretariat must have additional resources for "organic growth to develop its overall competence to monitor and analyse competition issues in world trade."

Mr Sutherland warned that statements from around the world of willingness to complete the Uruguay Round "should not be taken as proof that we are irreversibly on course to concluding the round. We have had various false dawns before."

Should the unthinkable happen and the round fail "it will still be vital that Gatt itself continues."

Otherwise the world will revert to a group of warring trading blocks."

Mr Sutherland said he was "not pessimistic, but realistic" about the chances of a deal in Tokyo and concluding the round by December 15.

Hopes have been raised that the US, EC, Japan and Canada can reach binding agreements in Tokyo on cutting tariffs on manufactured goods and the liberalisation of services.

Mr Sutherland, who takes over on July 1, would not confirm that he would be at the Tokyo summit.

Nor was he prepared to comment on French opposition to the EC-US agreement on the farm chapter of the round, negotiated at Blair House in Washington last November.

"It seems to me that Blair House is the basis, and will remain the basis for discussions

Brussels urges co-operation to crack down on EC fraud

By Andrew Hill in Brussels

A SENIOR Brussels official yesterday accused member states of failing to co-operate fully in the fight against EC fraud.

Mr Peter Schmidhuber, the EC commissioner responsible for fraud prevention, also said staff shortages in Brussels were hampering the campaign to stem fraud related to EC funds.

Mr Schmidhuber told MEPs that the Commission was trying to improve co-ordination between its own departments and with member states. He also pledged to be tough on member states which did not notify cases of potential fraud by set deadlines.

At present, he said, only about 10 per cent of cases were notified on time, even though member states were supposed to bear the brunt of investigating and punishing EC fraud, and recovering money lost.

The Commission's 1992 report

on fraud, released in April, said reported fraud reached Ecu269.9m (\$322m) last year, of which 44 per cent was related to farm subsidies. But the Commission admitted that the scale of fraud was much higher than the figures reported by member states, and only about 10 per cent of the money lost was ever recovered.

"In future the Commission will make sure that the member states do respect their obligations," Mr Schmidhuber told yesterday's public hearing of the European Parliament's budgetary control committee.

He added that Brussels was examining whether to pay rewards for information on fraud, or offer performance-related bonuses to investigators.

Mr Michel Jacquot, responsible for managing the EC farm budget, said yesterday that many member states failed to notify fraud to Brussels because they

were ashamed to admit its existence. Mr Schmidhuber said an increased flow of data about potential fraud involving EC funds could never be a substitute for extra personnel. He said about 121 Commission staff were working to fight fraud, with 35 in the special fraud unit.

Demand for a further 35 fraud-busters have had to be shelved because of a general financial squeeze and the effective devaluation of the Ecu, in which the EC budget is calculated, against the Belgian franc, in which most staff salaries are paid.

The Commission has just helped uncover a large fraud in Italy, involving the disappearance of at least Ecu77.7m worth of surplus EC grain, following a similar fraud in Greece.

Mr Jacquot told MEPs yesterday that the Commission was assisting grain fraud investigations in two other EC countries, which he declined to name.

Andreotti accused of putting pressure on witness

By Robert Graham in Rome

MR. Giulio Andreotti, Italy's former prime minister, was said yesterday to have sought to put pressure on a witness to protect himself from Rome magistrates who are investigating his alleged involvement in the 1979 murder of journalist Mino Pecorelli.

Rome magistrates said Mr Andreotti's alleged action had led them to request that parliament speed up its procedures to allow the waiving of his immunity so he could face charges of involvement in Mr Pecorelli's killing.

Mr Andreotti yesterday repeated his protestation of innocence and said he had agreed to waive his immunity. He had already agreed to waive his immunity to answer allegations of being associated with the Mafia.

The Rome magistrates' request was filed on Wednesday in a 92-page document that contained serious differences in testimony on key issues between Mr Andreotti and an array of witnesses testifying against him.

One of the witnesses contradicting the veteran Christian Democrat was Mr Franco Evangelista, a Christian Democrat senator and a long-time close colleague. The issues included the 1978 kidnap and murder by the Red Brigades of Mr Aldo Moro, the former prime minister, the links between politicians and the Mafia and the financing of Mr Andreotti's faction of the Christian Democrat party.

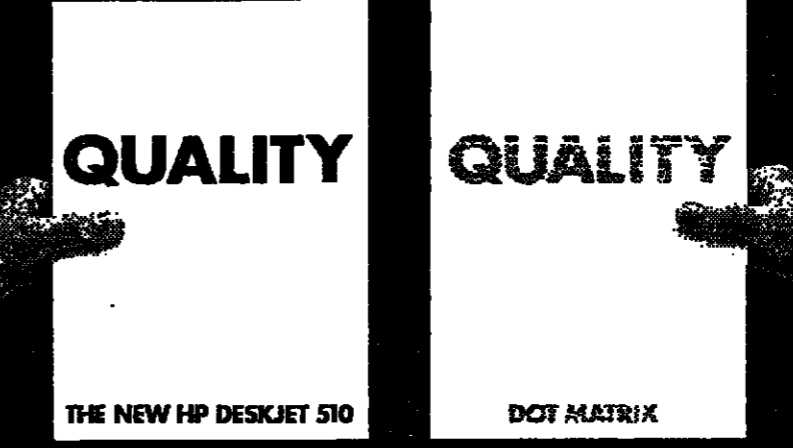
As the contents of the Rome magistrates' investigations began to emerge, there appeared to be clear links with those of their colleagues in Palermo. They are both relying in part on the same source of information - Mr Tommaso Buscetta, the former Mafia boss turned supergrass since 1984.

The two inquiries also focus on Mr Andreotti's relationship with the Salvo cousins, two prominent members of Cosa Nostra, the umbrella organisation of the Sicilian Mafia.

The Rome magistrates quote

Continued on Page 12
Central banker, Page 3
Promise to brokers, Page 3

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may be the
same, but the
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INSIDE

Financial services see big futures in China

The proliferation of capital and commodity markets in China is proving a bonanza for financial information service companies. Companies like Reuters and Telerate are witnessing explosive growth, much of which can be attributed to futures trading. The next step is seen as providing the service in Chinese. Page 16

Brazil steps on the gas

Brazil's car market is booming. Despite the country's economic and political turmoil, the Brazilian car industry is on its way to reclaiming from Mexico the title of Latin America's leading car producer. Page 15

Fortis boosted by acquisitions

Fortis, the Dutch-Belgian banking and insurance group, reported a 14 per cent rise in first-quarter net profit, bolstered by the first-time consolidation of a Spanish joint venture and a Dutch savings bank. Page 14

Scapa to make scrip issue

Acquisitions helped Scapa Group, which supplies industrial textiles and services to the paper industry, increase pre-tax profits 5 per cent to £47m. The UK group, which makes 66 per cent of its sales outside the UK, yesterday also announced a management succession and an enhanced scrip dividend scheme. Page 20

Malaysia turns to palm oil for help



These are bad times for Malaysia's commodity producers. Rubber and cocoa powers, reeling from a prolonged period of low world prices, are going out of business. Tin output has fallen by nearly 50 per cent in the last two years, with miners despairing of ever seeing a return to higher prices and profitable production. Palm oil is the one bright spot. Page 30

Bad news in Bangkok

Stockbrokers surveying the gloom that has overshadowed the Stock Exchange of Thailand for most of this year now comfort themselves with the thought that sentiment cannot get much worse. Back Page

Christian Salvesen optimistic

Christian Salvesen, the distribution, specialist hire and manufacturing group, yesterday reported a strong performance by its core activities and was optimistic regarding growth opportunities. Page 18

Northumbrian Water ahead 14%

Northumbrian Water, the smallest of the 10 privatised UK water companies, yesterday announced a 14 per cent increase in profits helped by price increases and acquisitions. Page 21

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George Wimpey	14	Wimpey (George)	20
Glan	31	Zeneca	13

Chief price changes yesterday

NEW YORK (\$)		
Russell 2000	17 1/2	+ 1
Advanced Micro	22 1/2	+ 1
Apple Computer	45 1/2	+ 1
IBM	52	+ 1
Intel	54 1/2	+ 1
Microsoft	108 1/2	+ 1
Oracle	75 1/2	+ 1
Seagate	54 1/2	+ 1
Spacelabs	297	+ 5.5
Sun (Stk 66)	297	+ 5.5
Frankfurt closed. New York prices at 1230.		

LONDON (Pence)		
ACT Group	152	+ 9
Advanced Int'l	780	+ 26
SLP Group	65	+ 10
Carson (A)	105	+ 12
Commerzbank	25 1/2	+ 3
Concorde	45 1/2	+ 5
Derec Estates	505	+ 55
Delyn	77	+ 12
Edridge Pope	101	+ 8
Highcroft Int'l	183	+ 23
LGW	143	+ 4
Lynn Higgs	37	+ 15
Merrill Lynch	275	+ 15
Oxford Instrs	261	+ 14
Powerstream	337	+ 17
Proton	188	+ 8
Shelton (A)	53	+ 17
Stora	114	+ 6
Stora	660	+ 26
Stora	114	+ 6
Stora	217	+ 15
Stora	130	+ 6
Stora	194	+ 8
Stora	37	+ 8
Stora	48	+ 5

LVMH shares fall after warning



Bernard Arnault: problems in the champagne market

By Alice Rawsthorn in Paris

LVMH, the French luxury goods company, yesterday warned of a reduction in net profits for the first half of 1993.

Its shares fell on the announcement, closing down FF27 at FF3,688.

The group, which owns Moët-Chandon champagne, Louis Vuitton luggage and the Christian Lacroix fashion house, made FF1,300m (£240m) in the first six months of last year.

Mr Bernard Arnault, chairman, told a shareholders' meeting in

Paris that full-year net profits would nevertheless at least match those of 1992, when it made FF3bn on sales of FF21.7bn.

The LVMH warning comes against a background of intense pressure on the luxury goods industry because of global recession and a shift in consumer tastes away from the ostentatious values of the 1980s.

Dunhill, the British group behind Mont Blanc pens and the Karl Lagerfeld fashion business, last week announced lower profits for last year.

Mr Arnault said group sales had risen 4.5 per cent in the first five months of this year. He attributed the profits fall to the depressed economic environment and problems in the champagne market.

Producers have been hit by poor sales and high grape prices. LVMH recently announced the first-ever job losses at Moët-Chandon, its flagship champagne house, triggering protests from the workforce last week.

Mr Arnault said LVMH would also be affected by the impact of the weak pound on its income

from Guinness, the UK drinks group where it is a 24 per cent investor.

Last year's cut in the Guinness contribution (to FF681m from FF1.1bn in 1991) was one of the main reasons for the overall decline in LVMH's net profits to FF3bn from FF3.7bn.

LVMH, which has net debt of FF14.5bn, expects to benefit from recent falls in French interest rates. Mr Patrick Houel, finance director, said the group would save FF60m a year for every 1 per cent rate cut. Background Page 14

Stock exchange watchdog applies pressure to clarify figures

Ferruzzi gross debts approach L31,500bn

By Haig Simonian in Milan

SHARES in Italy's troubled Ferruzzi group fell further yesterday amid growing concern about the rescue deal being thrashed out with its main bankers and controversy over the size of its borrowings.

The falls came as a ministerial committee in Rome postponed until today discussion of a Bank of Italy plan to allow commercial banks to take stakes in industrial companies. A debt-for-equity swap is one of the possibilities being discussed by Ferruzzi with a five-bank creditors' committee.

The controversy over Ferruzzi's indebtedness came to a head on Wednesday night, when the group issued a detailed balance sheet ahead of its general meeting later this month. The figures confirmed net indebtedness of the Ferruzzi Finanziaria (Ferfin) holding company at L15,123bn (£3,012bn).

However, the figures also indirectly confirmed press claims this week that the group's total debts approached L31,500bn. The higher figure, strongly denied by Ferruzzi on Wednesday, comprises Ferfin's gross debts of L25,348bn in Ferfin, the gross indebtedness of the commodity trading activities at L3,913bn and an estimated L2,239bn in gross debts at Serafino Ferruzzi, the family holding company.

Ferruzzi said the borrowings of its commodity trading business had not traditionally been consolidated in the group total, as they were subject to sharp fluctua-

tions and backed by commodities or futures contracts. It declined to comment on the debts of Serafino Ferruzzi.

The group produced the more comprehensive figures after the Milan stock exchange's ruling council asked Italy's Consob stock exchange watchdog to take action, which could have involved suspending trading.

Consob continues to monitor the situation closely. Yesterday it summoned Mr Carlo Sama, Ferfin's managing director, and members of the creditor bank committee to review the progress of talks. After the meeting, Mr Sama said Ferruzzi had no intention of seeking a suspension.

Ferfin's balance sheet reveals that almost L21,000bn of its gross debts are towards bank creditors. Listed receivables amount to L10,223bn, mainly from subsidiaries, along with L1,480bn in sugar stocks, which are considered equivalent to cash under European Community rules. The group, which reported a net loss of L1,519bn last year, said there had not been any relevant changes in its debt position so far this year.

Shares in Ferfin sunk to L776 in early Milan trading, well below the previous day's low of L795, before recovering to close at L805.4, marginally down on Wednesday's closing price. Montedison, the main industrial operating company, dropped by 4.6 per cent to L880 before recovering slightly after hours.

Lex, Page 12; World stock markets, Back Page

Dealers concerned at Zeneca outlook

By Norma Cohen and Maggie Urry

SUB-UNDERWRITERS of the £1.3bn (£2bn) rights issue by Zeneca, the pharmaceuticals division spun off from ICI, are concerned they will not be able to dispose of the shares profitably once the deal closes on June 21.

Zeneca shares yesterday closed at 617p, down 3p, just 3 per cent above the 600p rights issue price and yielding roughly 5.5 per cent. The shares on Wednesday had traded as low as 600p.

Institutions said that brokers to the Zeneca issue had told them the dip in the share price had reflected selling by US investors concerned about the effects of health care reform there.

There is also a fear that if the Zeneca issue is seen to flop, it could depress the stockmarket, affecting the sale of BT shares next month.

The Zeneca rights issue has an added twist in that a syndicate of international banks was formed to sell the rights shares to new investors outside the UK.

One observer said this "recycling" element was meeting poor demand and judging by low trading volumes in the nil-paid shares, Zeneca's brokers declined to comment.

Mr John Mayo, finance director of Zeneca, said "a U-shaped price pattern over a rights issue period is quite normal."

Sub-underwriters, the large British institutional investors, said ICI shareholders, entitled to purchase Zeneca shares at 600p in proportion to their ICI stake, are likely to decline to exercise that right if the shares fall below 605p. The shares had traded in the grey market as high as 700p before terms of the rights offer-

Diverging paths since the demerger



Ronnie Hampel (top), ICI chief executive, smiles at a rising price, while David Barnes, his counterpart at Zeneca, faces a nail-biting period up to the rights close on June 21

ing were announced.

"We are happy to take up our rights and we are happy to take up our underwriting if there is a stick. But we will not do both," said one leading UK institution.

"We thought 600p was top of the range to begin with," said one fund manager, adding his fund had wavered before agreeing to underwrite roughly 1.5 per cent of the issue, in line with its

ICI stake.

Several institutions, however, said the underlying prospects for the shares were far better than their current trading price implies. One fund manager, who said he had agreed to underwrite a position larger than his ICI holding, said: "I hope the shareholders walk away at 600p. We think the shares are good value at that price."

UK venture capital group plans European expansion

By Charles Batchelor in London

3i, Britain's largest venture capital group, is attempting to raise a \$300m to \$400m fund to finance expansion of its investment activity in continental Europe.

This is the first time 3i has sought to manage outside funds and would represent the biggest fund-raising by a UK venture capital group for several years.

The group, which is owned by Britain's leading clearing banks and the Bank of England, is believed to have obtained a commitment for \$100m from a large US pension fund. It has been selective in targeting UK institutions, which have proved reluctant to increase venture capital investments in the past two years.

It said in March it was considering raising outside finance. Mr Neil Cross, 3i's international director, said yesterday: "We

were encouraged by the response we had and we spoke to more people. Some have said they will put money up but until people have signed up you never know. I don't think we will firm up on whether it will happen or not until the autumn."

Asked to confirm the \$300m to \$400m size of the proposed fund, Mr Cross said: "I would have guessed you are talking about sums of that order."

3i has focused its fund-raising on institutions in the US and continental Europe and is believed to have obtained a commitment for \$100m from a large US pension fund. It has been selective in targeting UK institutions, which have proved reluctant to increase venture capital investments in the past two years.

It said in March it was considering raising outside finance. Mr Neil Cross, 3i's international director, said yesterday: "We

UK investment institutions said 3i might have problems raising such a large amount of money given its lack of a track record for managing other people's funds. 3i has financed previous investments from its own equity, bond issues and retained profits.

Raising outside funds allows venture capital firms to finance larger deals, maximise their investment expertise and spread costs over a larger portfolio.

Several other venture capital funds expressed concern that 3i's fund-raising would suck the market dry. More than 40 UK venture firms are currently attempting to raise money while many others have had to scale down or abandon fund-raising campaigns over the past 12 to 18 months.

UK glass group cuts dividend for the second year running

By Maggie Urry in London

PILKINGTON yesterday cut its annual dividend by a third to 4p, despite having held the interim payment in December. Last summer the UK glass group, whose profits slumped during the recession, cut its dividend for the first time since it went public in 1970. The shares fell 6p to 130p.

Sir Antony Pilkington, chairman, said yesterday most of the encouraging trends the group saw in December had continued but there had also been "a dramatic collapse" in the German market, where the situation was uncertain. Pilkington's German business made a third of group operating profits in the year. In January, the German carmakers

Pilkington supplies, such as Mercedes and BMW, "virtually shut down for four weeks," said Mr Roger Leverton, chief executive.

Sir Antony said improved signs included a growth in profits in the group's southern hemisphere operations, and the "amazing difference" sterling's devaluation had made to the UK operations' competitiveness.

Sir Antony said that the investigation at Libbey-Owens-Ford, Pilkington's North American subsidiary where three top executives including the president have been suspended following apparent breaches of company procedures, was progressing. He said legal proceedings against a third party had been instituted. The business was continuing nor-

mally, and Pilkington believed there would be no material financial loss.

The company, which makes two interim payments, has reduced the second interim from 7.57p in 1990-91 to 3.07p in 1991-92 and to 1.07p in the year to end March. The first interim has been held at 2.93p. The cut came with annual results showing pre-tax profits down from £95.7m (£147m) to £40.7m, on sales of £2,577m (from £2,616m).

Even so, the high tax charge of £46m, up from £48.6m, and the dividend cost caused a retained loss of £51.4m against a loss of £20.1m. The loss per share was 2.6p against earnings of 3.5p. Lex, Page 12; London SE, Page 31; Details, Page 21

Citic in HK\$8.7bn bid with Li Ka-Shing

By Simon Holberton in Hong Kong

MR Li Ka-shing and Citic Pacific, Beijing's listed conglomerate in Hong Kong, have joined forces to make a HK\$8.7bn (US\$1.1bn) bid for Miramar Hotel and investment.

Mr Li's Cheung Kong and Citic Pacific are offering HK\$15.50 a share and HK\$8.50 a warrant for Miramar, which owns the Miramar Hotel on Kowloon and office and retail properties on the peninsula.

Mr Li has taken small minority positions in other deals involving Citic but this bid for Miramar is the largest transaction in which he has participated with a mainland-backed company.

It underlines Mr Li's growing ties with mainland Chinese power brokers and the decision he has made to concentrate on Hong Kong and China ventures.

The initial reaction of the Hong Kong stock market was that the offer was too low. Miramar's share price yesterday closed at HK\$16 and analysts advise investors to bide their time. They said Miramar represented one of the best opportunities available in Hong Kong's property market.

Miramar's assets are in prime Kowloon locations and have good redevelopment potential.

Mr Michael Greene, at Warburg Securities, said he expected Mr Li and Citic immediately to sell the commercial properties on strata title, providing joint ownership, probably to mainland Chinese companies seeking a hedge against the devaluation of the yuan.

He said they could also take advantage of under-utilised "plot ratio" in some of Miramar's commercial properties to increase the amount of space available for sale.

The Miramar Hotel, on Nathan road in Kowloon, is a sprawling if somewhat dowdy hotel. It could either be refurbished or razed and replaced with a commercial and retail development.

Mr Li and Citic have indicated they wish to maintain Miramar's listing.

The reason is unclear, but there is an active secondary market in Hong Kong listings and analysts expect them to sell it to a mainland Chinese company seeking a Hong Kong listing.

Miramar, a Hang Seng constituent, is controlled by the Yeung family, which owns 21 per cent of the company. Its other main shareholder is Goldberg Corporation SA, which owns 13 per cent.

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INTERNATIONAL COMPANIES AND FINANCE

Fortis lifted by new acquisitions

By Ronald van de Krol
in Amsterdam

FORTIS, the Dutch-Belgian banking and insurance group, reported a 14 per cent rise in first-quarter net profit, bolstered by the first-time consolidation of a Spanish joint venture and a Dutch savings bank. Net profit rose to Ecu6.1m (\$103.52m) from Ecu5.7m a year earlier, on revenues up 15 per cent at Ecu2.54bn. Among the factors behind the rise were favourable exchange rate movements. If currency factors are excluded, net profit would have risen by 9 per cent.

The first-time consolidation of the Calor joint venture with Spain's La Caixa and of VSB

Bank in the Hague lay behind the strong increase in pre-tax operating results from life insurance, up 25 per cent, and banking, up 40 per cent.

In other sectors, accident and health insurance posted a more modest rise of 13 per cent, while operating losses widened to Ecu6.1m from Ecu3.9m in other non-life lines such as motor and fire insurance. Capital gains on investments such as shares and property fell to Ecu22.2m from Ecu26.6m a year earlier.

Fortis said the results confirmed previous expectations that full-year net and operating profit would at least match their 1992 level. It noted that second-quarter figures would

include capital gains from the sale of the company's shares in Belgium's Generale de Banque. Ahold, the Dutch-based supermarket and retail group, reported a 13 per cent increase in net profit to F196.2m (\$53.4m) during the first quarter of 1993.

Operating results showed an even stronger rise of 23.3 per cent to F120.8m, but this was partially offset by a substantial rise in financial costs to F149m from F134.4m, reflecting new acquisitions as well as first-time consolidations.

Sales rose by 22.3 per cent to F19m as a result of new acquisitions in the Netherlands and Portugal and the consolidation of Schuitema, a Dutch food

wholesaler which is 73 per cent-owned by Ahold and which was previously not consolidated. If these factors are eliminated, sales growth totalled 4.9 per cent.

In the US, where Ahold is one of the 10 largest supermarket operators, higher operating results were achieved at three of the group's four supermarket chains - Tops, Bi-Lo and Giant Food Stores. The fourth, First National, posted lower results. Total US operating profit rose by 7.2 per cent to \$48.1m.

In the Netherlands, operating results were up 29.7 per cent at F187.6m, partly due to consolidations and acquisitions.

Profit surge at Axel Springer Verlag

By David Waller in Frankfurt

AXEL Springer Verlag, the German media group, yesterday reported a surge in profits for 1992, but warned that recession and intense competition were taking their toll on turnover in the current year.

Reflecting the impact of a cost-cutting programme and lower newspaper prices, net profits last year were DM57.2m (\$35.7m), more than five times the DM11.2m made in 1991. Another factor behind the profit increase was the sale of loss-making investments, Springer said.

Springer said that the improvement in profitability would allow it to resume paying dividends. The 1992 dividend is to be DM12 per share, the same level as for each year from 1986 to 1990 inclusive. In 1991 the group paid no dividend.

Turnover for last year dropped by DM115.4m, or 3.1 per cent, to DM3.57bn. Springer blamed the decline on competition in the media sector which had led to a fall in advertising revenue as well as from newspaper sales.

The group, which publishes the daily mass-circulation Bild newspaper as well as Die Welt, a more serious daily newspaper, said the trend had continued into the current business year, with newspaper revenues down by 3.4 per cent and advertising revenue down by 7.5 per cent in the first four months of the year.

It said in the light of the recession in Germany there were no signs that the deterioration would be reversed. However, Springer said it intended to pursue its rationalisation policies with the hope of reporting a reasonable profit for the current year.

Capital investment for the current year is set to be DM330m, with the emphasis on improving the quality of newspapers printed in eastern Germany. This involves the development of a new offset-printing plant in Spandau in Berlin. Last year, capital investment amounted to DM245.2m, up from DM198m.

LVMH tries to adjust after a life of luxury

Alice Rawsthorn reports on how the French group is coming to terms with a harsher environment

When Mr Bernard Arnault battled his way to the top of LVMH, the world's largest luxury goods group, it was flourishing in the affluent environment of the mid-1980s. He now faces the challenge of adapting to the ascetic climate of the 1990s.

The new battle has already begun. Mr Arnault yesterday told a shareholders' meeting that his group would suffer a fall in first-half profits this year.

He warned that LVMH - which owns high prestige brand names ranging from Louis Vuitton luggage, to Hennessy cognac and Christian Dior perfume - would, at best, muster a slight increase on 1992's net profits of FF3bn (\$555m) for the full year.

Mr Arnault said it was "much more difficult to run a luxury goods group today than it was 10 years ago".

LVMH is not the only company to be struggling. Dunhill, its London-based competitor, last week disclosed a decline in profits last year. Gucci, an Italian rival, is said to be searching for new capital.

However, LVMH has underlying strengths. First, it entered the recession having completed the restructuring that followed its formation in the merger of a number of family-owned companies in the mid-1960s.

It was, at least, in a stable state when the market declined, unlike Gucci, which was struggling to reposition its brand.

LVMH has the advantage of a broad base of interests both in terms of products and international spread.

The strength of some sectors, notably perfume, has helped to counter the problems of others, such as champagne. Similarly, it is less exposed to individual markets than rivals such as Dunhill, which has been badly affected by Japan's instability. These strengths have sheltered LVMH from the rigours of the recession.

Its operating profits fell to FF5.5bn in 1992 from FF6.4bn in 1991.

However, the chief reason for the decline in net income to FF3.3bn from FF3.7bn was the reduction in the contribution from its 24 per cent holding in Guinness, the UK drinks group, to FF681m from FF1.1bn.

So far, there is no sign of improvement in trading this year, except for the US.

The luggage division is struggling to maintain operating profits as it did last year at FF1.87bn. Cognac, which saw

Perfume has been the most robust business for LVMH with operating profits rising to FF600m in 1992 from FF636m - this was due to the successful launches of Dior's Dune and Givenchy's Amarige. But perfume margins, at 15 per cent last year, are far lower than those of cognac and luggage at 40 per cent

operating profits fall to FF2.29bn in 1992 from FF2.79bn in 1991, seems stable.

"The Japanese market has been affected by the economic situation," said Mr Arnault. "But we have had very strong growth from Taiwan, Hong Kong and China."

The chief concern is champagne, which has been trapped in a vicious cycle of weak demand, rising stocks and high raw material prices.

Operating profits plummeted to FF780m in 1992 from FF1.25bn in 1991.

LVMH last month called for 245 job losses at the 1,600-strong Moët-et-Chandon champagne house. This followed a 10 per cent price cut for Moët in France and Germany, although the price has been

raised in the UK, Italy and Spain following the ERM crisis.

Mr Arnault said it was too soon to assess the effect of the price changes.

"Champagne has always been a cyclical industry and we are at a low point in the cycle," he said. "But the cycle will change, hopefully from next year."

Meanwhile, analysts are braced for another plunge in profits this year.

Perfume has been the most robust business with operating profits rising to FF600m in 1992 from FF636m, due to the successful launches of Dior's Dune and Givenchy's Amarige. Mr Arnault anticipates further growth in 1993.

However, perfume margins, at 15 per cent last year, are far lower than those of cognac and luggage at 40 per cent. The fragrance market is also riskier with short product life-cycles and high launch costs.

LVMH's finances are too constrained - with FF14.5bn net debt and 50 per cent gearing - for Mr Arnault to buy his way out of recession.

He has made a few small investments, notably last month's purchase of Financière Truffaut, which owns minority holdings in the Kenzo fashion house and Agache, the Arnault master company.

Mr Arnault said he "could not exclude" buying out some of the Truffaut minorities. But the days of audacious deals, such as the \$20m (\$30.5m) launch of the loss-making Christian Lacroix fashion house, are over.

"The Lacroix experience has had benefits, we've learnt a lot from it," he said. "But no one would even imagine opening a new couture house today."

LVMH will have to engineer its recovery through its existing interests.

Mr Sylvain Massot, analyst at Morgan Stanley, is confident that it can.

"So far, it's come through fairly well," he said. "Profits will probably be static in 1993, but we should see growth from 1994 onwards."

Finland offers rescue plan to STS-Bank

By Hugh Carnegie
in Stockholm

THE Finnish government has agreed to shoulder 90 per cent of losses arising from the Fmk3.4bn (\$630m) portfolio of non-performing loans held by STS-Bank, resolving an issue outstanding since Kansallis-Osake-Pankki, the country's leading commercial bank, took over STS last November in the wake of the country's banking crisis.

The Government Guarantee Fund, the body handling the state's bank rescue operation, said yesterday the STS had assets would be concentrated in a so-called "bad bank" named Siltapankki which KOP will manage.

However, KOP will be responsible only for 10 per cent of any losses incurred on the loans.

In addition, the guarantee fund will for the time being assume full responsibility for STS loans to Co-operative Eka Corporation and Haka Oy, two closely linked co-operative industrial groups which have had the right to take deposits from the public.

KOP paid Fmk75m to take over 67 per cent of loss-making STS and later took over the remaining shares via a public offer in a move to reduce capacity in Finland's banking system.

Dutch insurer improves 2.3%

By Ronald van de Krol

LOSSES in non-life insurance and reinsurance limited the rise in net profit at ING Group, the big Dutch banking and insurance company, to 2.3 per cent in the first quarter of 1993.

Net profit increased to F1395m (\$219m) from F1366m the year before, after adjustments to reflect new accounting principles adopted in early 1993.

If it had not been for these accounting changes, net profit in the first quarter would have

risen by 10.3 per cent, ING said.

The losses in non-life and reinsurance overshadowed a strong increase in profits in life insurance, with North America in particular posting substantially higher results.

Overall, operating losses at ING's insurance arm dropped by 10.3 per cent to F1243m. However, ING's banking operations posted a pre-tax operating increase of 16.9 per cent to F1298m, helping to compensate for the downturn in insurance.

In non-life insurance, pre-tax operating results swung into a loss of F132m from a profit of F15m the year before, while reinsurance results fell into a loss of F119m from a profit of F14m.

Fire, marine, aviation and motor insurance produced losses which could not be fully compensated by increases in accident, health and miscellaneous. ING incurred losses from its Orion subsidiary in the UK which ceased its underwriting activities on the London insurance market in April.

Geo Wimpey in first rights issue

By Andrew Taylor,
Construction Correspondent

GEORGE Wimpey, the UK construction group, yesterday broke with history by announcing its first rights issue since it was formed 110 years ago.

The company is raising \$104m (\$160.2m) with shareholders offered one new share at 148p for every four held. Wimpey's share price, which had almost trebled since sterling left the ERM last September, yesterday fell 3p to 184p.

The proceeds will be used to buy land to take advantage of recovery in the UK housing market.

The placing in March by Grove Charity Management, a charitable trust established in 1955 by Sir Godfrey Mitchell,

Wimpey's founder, of the bulk of its 34 per cent stake in the company is thought to have freed the way for yesterday's rights issue.

Mr Joe Dwyer, chief executive, said since the beginning of this year the group had sold 56 per cent more UK homes, including sales to housing associations, than during the first five months of last year.

"I firmly believe that a housing market recovery is underway at last although progress is likely to be gradual rather than dramatic," said the chief executive.

Private sector sales alone rose 27 per cent despite a normal seasonal slowdown in May.

"House prices have stopped falling and builders

have begun to reduce some of the sales incentives introduced during the recession. Recovery in the general construction industry is unlikely to occur before 1995," said Mr Dwyer.

He expected that by next year land prices would rise again. It made sense to increase the size of the group's land holdings before this happened to "enable the group to achieve attractive margins on sales in 1994 and 1995".

This year, UK house sales by Wimpey were expected to rise from 5,600 to at least 7,000. Analysts say the group is aiming to build 9,000 homes a year by the mid to late 1990s, making it the UK's largest house-builder.

Lex, Page 12; Background, Page 20

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The following represents a summary only of the terms of the offering which will be contained in the prospectus issued at the time of launch.

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in
CREDIT LOCAL DE FRANCEby
The Republic of France
and by
Caisse des Dépôts et Consignations

The Republic of France (the "Republic") and Caisse des Dépôts et Consignations ("CDC") are contemplating making a combined share offering of 10,900,000 of the shares they own in CREDIT LOCAL DE FRANCE, a French Société Anonyme, representing 30.5% of CREDIT LOCAL DE FRANCE's share capital. The offering will be made simultaneously in the French and International markets.

The details of the offering, including the price and the detailed timetable, will be determined the day before the launch date.

The launch of the offering will be subject to general conditions in the financial markets and is therefore subject to change. Allotments in relation to the International Offering will be made on 16th July, 1993 at the latest.

The French Offering will be underwritten by a syndicate led by Banque Paribas, CDC and Banque Worms and the International Offering will be underwritten by a syndicate led by Banque Paribas.

Banque Paribas has been appointed global coordinator of the combined offering.

The Shares have not been and will not be registered under the U.S. Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold within the United States.

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1992 Results :

The best guarantee for the future.

• CNP posted a 19.1 % rise in consolidated sales to FF 42.4 bn in 1992. The personal insurance division accounted for FF 30.6 bn and the group insurance division for FF 11.8 bn.

Earnings grew 13 % to FF 1.12 bn.

CNP has thus strengthened its leadership position in personal insurance in France. Its market share in this sector has been growing steadily over the last five years despite tougher competition and now stands at 13.5 %.

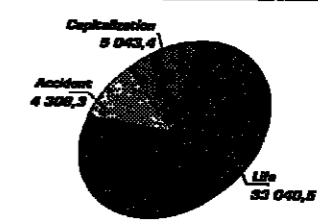
• In 1992, on 9 December, Caisse Nationale de Prévoyance also ceased to be a public sector company and became a limited company known as CNP Assurances S.A. Core shareholders include major partners - the State, Caisse des Dépôts, La Poste and Caisse d'Épargne.

• CNP's expansion strategy will continue to be four-fold :

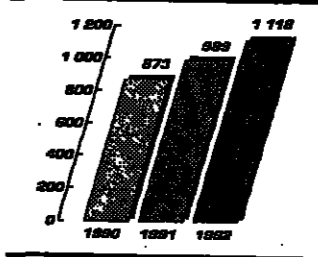
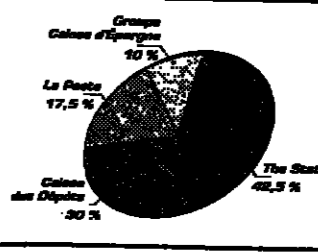
- To specialise in personal insurance, which is a buoyant market.
- To develop all its activities simultaneously : personal and group insurance, savings products and risk guarantees.
- To form partnerships with large French and foreign companies for the distribution of jointly developed products.
- To boost profitability by maximising management efficiency.

Consolidated data (FFm)

	1992	1991	1990
Sales	42,392	35,601	29,001
Market share	13.58 %	13.04 %	12.04 %
Net earnings (group share)	1,118	989.3	873
Balance sheet total (FFbn)	181	146.2	118
Equity excluding minorities	8,473.4	8,035.4	7,200

SALES
BREAKDOWN (FFm)

EARNINGS (FFm)

SHARE CAPITAL
BREAKDOWN (%)

Financial Information
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INTERNATIONAL COMPANIES AND FINANCE

NY Times in bid to take over Boston Globe

By Damian Fraser in New York

THE New York Times was understood yesterday to have bid around \$1.2bn for Affiliated Publications, the parent company of the Boston Globe, in a takeover that would bring under its management one of the US's best-known newspapers, and further expand its reach in the north-east of the US.

While a similar bid was turned down in January, and may be rejected again, some assurances for editorial independence were given this time, making acceptance more likely, said a former Globe executive familiar with the situation.

Affiliated Publications has a current stock market value of around \$960m. Neither the New York Times nor the Boston Globe would comment on the transaction, which has long been rumoured.

The Boston Globe has a daily circulation of more than 500,000, making it New England's largest newspaper, and the 13th biggest in the US. Last year it posted revenues of \$409m, and profits of \$30m.

The takeover "would constitute an important vote of confidence in the newspaper market," said Mr Eric Philo, an analyst at Goldman Sachs. He

said the bid looks to value the Boston Globe at around 12% times cash flow. It could act as a benchmark for further deals, as the newspaper industry recovers from its recession and profits rise.

In 1996 two of Affiliated's family trusts expire, making the company vulnerable to a hostile takeover, possibly to one of the large US newspaper executives.

"If they want to settle the future of the paper, this is a great deal. I would just as soon hook up with the New York Times than USA Today," said the former Globe executive.

The New York Times is keen to diversify geographically, and reduce its dependence on New York's sluggish economy. The acquisition would give the New York Times huge marketing power in the north-east of the US, enable it to cut costs as it combines distribution with the Globe, and perhaps as importantly, keep the Boston Globe out of potential rivals' hands.

However, the takeover would further expose the New York Times to the fortunes of the newspaper industry, and in the short term dilute earnings. It is expected to pay for Affiliated Publications mostly with its shares.

Fed approves Bank of Boston purchases

By Damian Fraser

BANK of Boston, the largest bank in Massachusetts, has been given approval by the US Federal Reserve to buy two New England banks, Multi-bank Financial and Society for Savings Bancorp.

The Bank of Boston will pay with its own shares an equivalent of around \$222m for Multi-bank, and \$215m for Society for Savings. The two banks would add \$4.5bn to Bank of Boston's existing assets of \$32bn.

The purchase is still conditional on approval by the Massachusetts Board of Bank Incorporation, but this is expected to be a formality. Bank of Boston had to promise to raise around \$170m in new

capital to win approval from the Federal Reserve for the purchase of Multi-bank.

Two Federal Board governors opposed the authorisation, on the grounds that the promise to raise new capital was not part of the Bank of Boston's original application. The two members believed the addition of new information after the original application "impairs the integrity of the Board's decision-making process."

Mr Ira Stephanian, chairman of Bank of Boston, said "the merger of these two institutions into the Bank of Boston organisation will be a major step forward in our strategy to grow our retail franchises in Massachusetts and Connecticut."

Brazil puts its foot on the accelerator

Bill Hinchberger reports on the government's efforts to get its citizens on the road

Brazil's car market is booming. Despite the country's economic and political turmoil, the Brazilian car industry is on its way to reclaiming from Mexico the title of Latin America's leading car producer.

During the first five months of 1993, production rose 33.8 per cent compared with 1992. Output reached an all-time high of 124,000 vehicles in May, beating the previous monthly high - October, 1989 - of 121,000. The industry looks capable of reaching its production goal of 1.2m this year.

The buoyant market is providing a rare bright spot for Fiat, the Italian carmaker. Fiat do Brasil has been fast mopping up market share, capturing 21 per cent of domestic sales last year, up from 12 per cent in 1989. Having passed the long-standing number three manufacturer, Ford, Fiat is now closing in on number two, General Motors do Brasil.

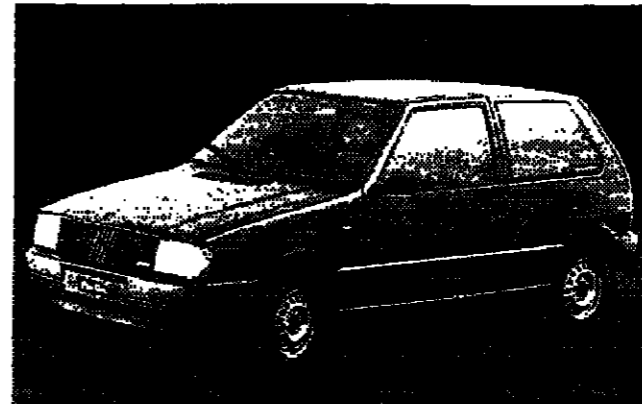
Fiat appears to be carving a substantial niche in lower priced small cars. Its compact Uno is now the second leading seller, trailing only the Gol hatchback, Volkswagen's long popular model sold exclusively in Brazil.

This performance is leading to suggestions that Fiat do Brasil could soon become the sole producer of a new economy model, based on the Uno. The new model would be exported to Europe.

The company, which shipped \$842m of vehicles last year, was Brazil's leading private



Volkswagen is scheduled to resume production of the Beetle



Fiat is carving a niche with its Uno, Brazil's second best seller

sector exporter. The Fiorino pick-up truck is already produced exclusively in Brazil.

Some industry analysts nevertheless believe that Fiat's Brazilian push is related to the loss of market share in Italy and Europe. "Fiat do Brasil is not going to be able to maintain its high levels of exports to Italy," predicts one analyst.

"Fiat has to depend on Brazil."

Fiat is meeting the increase in demand without large new investments, said Mr Pacifico Paoli who runs the car division of Fiat do Brasil. He plans to increase daily output from 900 vehicles in December 1992 to 1,400 by June 1994.

However, investment in added capacity seems likely only if the main Fiat board in Turin decides to produce their new economy model there. A new model can only be manufactured in Brazil if the company is also confident of domestic demand.

Despite the recent growth in market share in Brazil, Mr Paoli admits that Fiat do Brasil's chances of substantial parent company investment hinge largely on developments within the economy, not least a monthly inflation rate running close to 30 per cent.

Nonetheless Mr Paoli sees better things to come. "Brazil has to come out of its 10 year period of stagnation." Already Brazilians are buying cars like never before.

The industry got a jump start from February's tripartite accord between management, labour and government. The government has reduced taxes, industry has promised to squeeze margins, and the unions will hold wage demands to 6.3 per cent a year even though shop floor workers earn just \$2.79 an hour.

Coming on top of last year's pioneering union agreement,

the pact means that for-sale sticker prices are effectively one third lower than they would otherwise be.

Tax breaks are also helping to underpin demand. The idea is to get more Brazilians behind the wheel and help revive a sluggish economy. Last year the economy contracted by 1 per cent.

According to the National Association of Automotive Vehicle Manufacturers, 40 jobs are created in other industries by every new car industry job. The motor industry already accounts for 8 per cent of Brazil's gross domestic product.

It is the bottom end of the market that appears to be most price sensitive. "Car ownership in Brazil is even more concentrated than income," says Mr Paoli. There is one car for every 11.4 Brazilians, compared to one for every

5.7 Argentines and one for 1.3 Americans.

The most recent decree provides for a reduction of the federal value added tax from 14 per cent to 0.1 per cent. This is expected to result in wholesale price reductions of between 10 and 13 per cent for eligible models. Most of those models have 1,000cc engines.

All Brazil's leading manufacturers - Autolatina (the joint venture between Volkswagen and Ford), General Motors and Fiat - have models eligible for the tax break. Small wonder perhaps that production of the Volkswagen Beetle, which ceased production in 1986, is scheduled to restart in Brazil in August.

Although it has a 1,600cc engine, the Beetle will benefit from tax concessions. VW has already begun to predict that original production figures of 20,000 units a year may have to be increased.

Austrians sell chip maker stake

By Ian Rodger in Zurich

AUSTRIAN Industries, the troubled state-owned industrial holding company, is selling 74 per cent of the equity of its subsidiary, Austria Mikro Systeme International, a maker of specialised integrated circuits.

The issue marks Austria's first true privatisation. Previous flotations of state-owned companies have always left majority control in the hands of the government.

Final pricing has not been fixed, but the issue is expected to value the company, which makes chips for mobile telephones, factory robots and car components, at about Sch860m (\$75m).

AMS had net income of Sch50.7m on sales of Sch724.8m last year and is not raising any

money for itself from the flotation.

Of the 1.85m shares in the issue, 43 per cent will be offered to international investors and 57 per cent to private and institutional investors in Austria.

Austria's Creditanstalt-Bankverein, global co-ordinator of the issue, and Kleinwort Benson of London, international lead manager, will be hoping to avoid repeating the embarrassing aftermath to the last Austrian flotation.

Last November, 49 per cent of the shares of Voest Alpine Eisenbahnsysteme, a maker of high technology railway equipment, were floated. Even though VAE exceeded its profit forecast and still has excellent prospects, the share price slumped from Sch980 on issue

to a low of Sch715 in mid-January. At Sch830 this week, it is still well below the issue price.

Brokers say the problem, apart from the general weakness of the Austrian equity market, was that many Austrian subscribers sold their shares shortly after receiving them, catching the market managers unawares. This time a slightly larger portion of the issue has been reserved for international investors.

Austria is issuing Sch8bn of 6.5 per cent five-year bonds due in 1998 and priced at 99.85 to give a top yield to tender bidders of 6.8 per cent, according to lead manager Oesterreichische Kontrollbank. A total of 50.88 per cent of bids were accepted in the tender and the issue has an average yield of 6.536 per cent.

NYSE members post record first quarter

By Patrick Harverson in New York

THE 310 securities firms that are members of the New York Stock Exchange earned record after-tax profits of \$1.51bn in the first quarter of this year.

The total is up sharply from the previous record of \$1.36bn, set in the first quarter of last year, and provide more evidence that the boom in Wall Street earnings shows no signs of slowing down.

The firms' total revenues reached a record \$17.75bn, up from \$16.48bn in the same quarter of 1992. Revenues were strong due to several factors that have sustained the securities industry for the past two years. They include heavy

demand for stocks from individual and institutional investors; an extremely busy debt and equity underwriting calendar; strong growth in client assets under management; and a highly favourable domestic interest rate climate.

The NYSE said members' assets jumped to \$841.9bn, up from \$631.5bn a year earlier.

The bulk of the increase is attributable to a sharp rise in the value of securities holdings, especially in US government bonds, which have performed strongly over the past year.

NYSE firms' expenses were a record \$15.45bn in the quarter, a reflection of the fact that employee compensation is tied to earnings performance.

Petro-Canada eager to open up new oil field off Newfoundland

By Robert Gibbens in Montreal

PETRO-CANADA wants to start developing the Terra Nova oilfield off Newfoundland without delay once the C\$5.2bn (US\$4.09bn) Hibernia project comes on stream in 1997, says Mr James Stanford, president.

Petro-Canada, now privatised and the country's second biggest integrated oil company, owns 44 per cent of Terra Nova, whose recoverable oil reserves are estimated at 350m barrels.

Development would cost C\$2.5bn using a floating production system, rather than Hibernia's massive concrete production and storage rig modelled on the North Sea experience.

Both fields are about 200 miles off St John's. Petro-Canada has 25 per cent of Hibernia with Mobil as an operator. Construction of the rig is under way in Newfoundland and Hibernia starts up in 1997 at 25,000 barrels daily, rising to 125,000 barrels daily in 1999.

Petro Canada's partners in Terra Nova include Mobil, Husky Oil, Gulf Canada and Shell Canada. As operator it is doing preliminary work on a production plan.

Mr Stanford explained that following up Hibernia with Terra Nova development would maximise the benefits of the construction workforce in the Maritimes.

Total Canada and partner Husky Oil plan a second C\$3m exploration well on a property near Calgary where a large oil discovery has been rumoured. Total president Mr Donald West called some of the rumours "outrageous," and said that drilling crews can only return in October.

The first well early this year reached 9,000ft but tests could not be completed. Total of France sold its 53 per cent stake in the company earlier this year. Total Canada has changed its name to Rigel Energy.

Amoco Canada is selling 14 per cent of its Canadian oil and gas properties, accounting for 8 per cent of total production. In Alberta, British Columbia and Saskatchewan as part of a restructuring to reduce debt. Among the probable buyers are Canadian Natural Resources and Penn West Petroleum.

PIRELLI TYRE HOLDING N.V.
Established in Amsterdam

Shareholders are herewith invited to attend the annual

General Meeting of Shareholders

to be held on Monday June 28, 1993 in the WTC Club, World Trade Center, Stravinskylaan 1, Amsterdam at 3.00 p.m.

The annual report, including the agenda for this meeting, and the financial statements for the year 1992 as well as the details with respect to the members of the Supervisory Board and the Board of Management to be reappointed are available for inspection at and may be obtained free of charge from the Company's office and the principal offices of the below mentioned banks.

Holders of bearer shares who (in person or by proxy) wish to attend the meeting must have lodged their shares not later than Wednesday June 23, 1993 at one of the following banks who will subsequently send them a receipt which will serve as entrance ticket:

in the Netherlands at MeesPierson N.V., Amsterdam
in Belgium at Generale Bank, Brussels
in Germany at Dresdner Bank A.G., Frankfurt a.M.
in Italy at Credito Italiano, Milan
in Switzerland at Swiss Bank Corporation, Zurich
in the United Kingdom at Midland Bank PLC, London

Preceding the General Meeting an informal meeting which is open to interested shareholders will be held at 1.00 p.m. at the same location during which information will be provided on the Pirelli Group, in particular Pirelli S.p.A. Shareholders who have the intention to attend this meeting are kindly requested for logistic reasons to advise the Company accordingly at the address stated below (Mrs C. Wamink).

The Board of Management
The Supervisory Board

June 12, 1993
Stravinskylaan 627
1077 XX Amsterdam
(31) 20 675 5801



Prices for electricity delivered for the purposes of the electricity trading and in England and Wales.

Period	Unit	Price	Period	Unit	Price
1st quarter	1000 kWh	25.42	4th quarter	1000 kWh	27.65
2nd quarter	1000 kWh	25.30	1st quarter	1000 kWh	27.71
3rd quarter	1000 kWh	25.30	2nd quarter	1000 kWh	27.70
4th quarter	1000 kWh	25.30	3rd quarter	1000 kWh	27.77
1st quarter	1000 kWh	25.30	4th quarter	1000 kWh	27.77
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2nd quarter	1000 kWh	25.30	1st quarter	1000 kWh	27.77
3rd quarter	1000 kWh	25.30	2nd quarter		

INTERNATIONAL COMPANIES AND FINANCE

Aker optimistic in spite of sharp fall to Nkr47m

By Karen Fossell in Oslo

AKER, the Norwegian cement, oil and gas technology group, yesterday revealed a sharp fall in four-month pre-tax profits to Nkr47m (\$6.8m) from Nkr332m in the same period last year.

However, last year's figures were helped by a gain of Nkr280m from the disposal of the group's shares in Valencia, the Spanish cement producer.

"If exceptional items are excluded, the result after financial items is better than last year," Aker said. The improvement in the group was mainly attributed to sharply reduced net financial costs to Nkr50m from Nkr148m, due to significant debt repayments last year.

Long-term debt stood at Nkr1.23bn at end-April, compared with Nkr1.35bn at the same time last year. Group operating profit improved substantially to Nkr135m from last year's Nkr33m.

Mr Tom Ruud, chief executive, said he expected a sharp improvement in group operating profit for 1993.

Sales rose to Nkr5.57bn from Nkr3.38bn last year as operating costs increased to

Nkr5.25bn from Nkr4.98bn.

The cement and building materials division saw four-month sales dip to Nkr1.63bn from Nkr1.75bn, but achieved a profit after financial items of Nkr130m, against a loss of Nkr173m in 1992.

Aker said the improvement was mainly due to a better result in the group's international cement business, which returned a profit of Nkr18m. The division also made a Nkr94m gain on the disposal of a waste treatment plant.

The oil and gas technology division lifted sales to Nkr2.66bn from Nkr2.21bn, as profit after financial items rose to Nkr106m from Nkr94m. Four companies within the division improved their four-month performance and Aker expects the division as a whole to achieve a better result this year than it did in 1992.

Aker's other activities saw turnover reduced sharply to Nkr231m from Nkr415m and suffered a loss of Nkr48m, compared with a profit of Nkr32m last year. Aker blamed the decline on the disposal of Nybro Bjerk and lower sales by Stord International.

Impressive debut on market for Thai group

By Victor Mallet in Bangkok

SHARES in PTT Exploration and Production, the Thai oil and gas company, rose sharply above their initial public offering price on the first day of trading on the Thai stock exchange yesterday, giving a much-needed boost to the government's privatisation plans.

In an otherwise lacklustre market, PTEP shares peaked at Bt54.50 (\$2.16), up 65 per cent from the Bt33 offering price, before falling back to Bt47.50 at the close, valuing the company at Bt12.35bn.

PTEP, 85 per cent owned by the state Petroleum Authority of Thailand, is the country's first privatisation issue this year and the only listed exploration and production company.

The 14m shares set aside for non-Thai institutional investors in Asia and Europe were six times oversubscribed.

PTEP's performance goes some way towards compensating for Thai Airways International's poor showing since 7 per cent of its shares were floated last year; yesterday Thai closed at Bt41.75, compared with its Bt60 initial public offering price.

Barclays de Zotte Wedd, one of the lead co-ordinators and advisers for the PTEP issue, says its conservative estimate for the company's net present value is Bt39 per share.

Missile merger plan confirmed

AEROSPATIALE and Deutsche Aerospace (DASA) confirmed yesterday that they plan to merge their missile operations, AP-DJ reports.

At the Paris Air Show, Mr Werner Heilmann, president of DASA's defence and civil systems group, said discussions were at a very advanced stage and that the present planning phase should be concluded by the end of this year.

The combined missile revenue of the two groups is in the region of FF1.1bn (\$2bn).

ANZ poised to open China branch

By Tony Walker in Beijing

ANZ is expected to become the first Australian bank to open a branch in China since the 1949 revolution.

Mr Paul Keating, the Australian prime minister, is due to announce that ANZ has won approval to establish a branch in Shanghai when he visits China later this month. Mr Keating is anxious to make commercial relations the focus of his tour.

ANZ, which has maintained

a representative office in Beijing since the 1980s, applied last year to establish a presence in China's biggest industrial city. Official approval is being advanced to coincide with Mr Keating's visit.

The Australian prime minister will also announce a \$400m (US\$269m) chocolate-making joint venture, involving Cadbury Australia and the Beijing Agricultural Industries Corporation, in what will be the biggest foray by an Australian-based company into China's

food-processing sector. In Shanghai, Mr Keating will also lay the foundation stone for a new Foster's brewing plant which is being established in partnership with the local Huagang brewery.

BTS Nylex is upgrading a glass-bottling plant in Shanghai that is expected to supply containers to the Foster's Huagang joint venture.

ANZ's decision to establish a foothold in Shanghai seems certain to increase pressure on other Australian banks to fol-

low suit, but China is not rushing to approve new licenses. Foreign banks already present in Shanghai include Bank of America, Citibank and Banque National de Paris. Hong Kong and Standard Banking Corp and Standard Chartered Bank maintained a presence in the port city even during the gloomiest days of the post-revolution period.

Australian investment in China totalled US\$28m in 1992 and should exceed US\$350m by the end of this year.



Paul Keating: China visit to focus on commercial relations

Beijing attempts to ease traders' worries

Rapid growth has prompted concern over futures regulation, says Deirdre Nickerson

THE proliferation of capital and commodity markets in China is proving a bonanza for financial information service companies. However, the rapid growth has prompted concern among traders that the lax regulatory environment may threaten market development.

Companies like Reuters and Telerate are witnessing explosive growth, much of which can be attributed to futures trading. "These companies provide a service which is critical to the trade. The next step is to provide the service in Chinese," says China MinMetals, China's largest metal trader.

Faced with a backlog of orders, both Telerate and Reuters are racing to keep up with demand. "We are experiencing tremendous growth, but it will peak this year," says Mr David Feng, Telerate's general manager for north-east Asia.

Mr Feng says: "The information service companies have put futures trading in proper order because of their ability to provide accurate information

on a real-time basis. This increases the liquidity of the market."

The two financial information companies compete head-on. Industry sources say Reuters has captured a bigger share of foreign exchange dealing services, while Telerate has the advantage in equities trading, especially in southern China.

However, the dramatic increase in the number of securities and futures brokerage houses throughout China is providing enormous opportunities for both companies.

Last year, China opened eight futures markets which registered a total trade volume of more than 55.8bn yuan (\$8.8bn) for the year. The Shanghai Metals Exchange witnessed its busiest day to date last month, with more than 6bn yuan worth of transactions in one day, against volume of 153.4bn yuan for the first 12 months of operation.

Since they cannot retrieve hard currency, foreign trading houses do not participate directly in China's futures trade. "Once the yuan becomes convert-

ible the situation will improve," says MinMetals. Local brokers earn hard currency by acting as intermediaries between domestic customers and foreign futures exchanges. China MinMetals' foreign trading, for example, is concentrated on the London Metals Exchange.

Traders' worries include the lack of regulations and the absence of standardised contracts. "So far we have lots of customers, lots of interest and markets with huge potential, but we don't have laws or an enforcement body and we need this as soon as possible," says China International Futures (CIFCO), China's largest futures brokerage.

Last month the State Administration for Industry and Commerce announced new regulations calling for the re-registration of all futures brokerages. Brokerages have to meet a set of regulations, including proof of 10m yuan in registered capital, a minimum of 20 full-time brokers, an efficient

accounting system, and necessary floor space with adequate communications.

"This action is only the beginning, but hopefully it will extinguish the activities of the large number of illegal traders. Most of the exchanges still need to develop standardised contracts and proper clearing systems. The establishment of a body to take on this task under the direction of the State Council would be a large step in the right direction," says MinMetals.

It is difficult to say when this will happen. Many exchanges are still using forwarding contracts and have not made the jump to futures contracts, although many analysts believe this will take place within the year.

The recent rapid growth of futures markets is a direct reflection of economic reform. Previously, futures were frowned upon because of their speculative nature. Today, shareholders in CIFCO, which started up as recently as December, include government ministries and large state-run investment companies.

Dividend maintained at James Hardie Industries

By Bruce Jacques in Sydney

JAMES Hardie Industries, the Australian building products group, is holding its dividend at 12 cents a share for the year ended March following a sharp rise in profits, caused mainly by a turnaround in abnormal items.

Profits increased to A\$56.5m (US\$38m) from A\$53m, on revenues which rose to A\$1.59bn from A\$1.55bn.

Before abnormal items, earnings fell slightly to A\$70.3m from A\$72.8m.

The result included an abnormal loss of A\$10.4m, well down on the previous year's loss of A\$73.4m. The improve-

ment reflected a write-back of value in the US fibre operations, which had been written down in the previous year.

Net earnings were also helped by a fall in the tax bill to A\$6.2m from A\$16.5m, mainly through retrospective research and development claims. Interest expense eased to A\$41m from A\$49.8m and depreciation rose to A\$52.2m from A\$50.3m.

Mr Keith Barton, managing director, said he expected earnings before interest and tax to rise in the current year, but the improvement would come from internal efficiencies rather than market growth.

Telco slumps to Rs300m for year

TATA Engineering and Locomotive Company (Telco), India's largest commercial vehicle producer, reported a 75 per cent fall in net profit to Rs300m (\$9.6m) for the year ended March. R.C. Murthy writes from Bombay. The dividend is being reduced to Rs3 from Rs4 a share.

Sales dropped by 2.7 per cent to Rs30.9bn. The company pressed ahead with expansion and modernisation during the year. A new truck assembly plant at Lucknow in north India is now operational, lift-

NEWS IN BRIEF

ing production capacity to nearly 1.5m vehicles.

■ **UNITED Overseas Bank (UOB)**, together with its associate companies, has bought a 10 per cent stake in PT Bank Bali of Indonesia for Rp74.4bn (\$33.9m). Reuters reports from Singapore.

The purchase of 18.6m foreign shares of Rp1,000 was made in the open market. UOB will hold five per cent of PT

Bank Bali while Haw Par Brothers International and United Overseas Bank will each hold 25 per cent.

PT Bank Bali has a retail network of 77 branches in Indonesia and is also involved in foreign exchange transactions and export financing.

■ **SAKURA Bank of Japan** is to upgrade its representative office in Guangzhou, China, to branch status in mid-September, making it Sakura's second branch in the country, Reuters reports.

Finnair warns of difficult period as deficit widens

FINNAIR, Finland's national airline, yesterday announced a steep increase in its loss for last year and warned that the current 12 months would again be extremely difficult, Reuters reports from Helsinki. However, the slight upturn in the Finnish economy gave hope for an improvement, it said.

"The poor domestic market situation means that the 1993-94 financial year will be tough, but the steps which have been initiated and the

slight upturn in the economy give hope for an improvement," Finnair said.

For the year ended March, Finnair posted a FM415m (\$75.3m) loss after financial items, compared with a deficit of FM197m in 1991-92. Turnover was FM5.46bn, against FM5.44bn. Operating profit before depreciation came to FM286m, against FM356m. The loss before incidental items and tax was FM367m, against FM148m.

elf sanofi

YVES SAINT LAURENT

NOTICE TO THE HOLDERS OF YVES SAINT LAURENT GROUPE WARRANTS (after the merger with Elf Sanofi)

Notice is hereby given to the holders of Yves Saint Laurent Groupe Warrants, which have been issued on July 28th, 1989 in exchange for Warrants issued by the company Yves Saint Laurent Parfums S.A., that Extraordinary General Meetings of the two companies Elf Sanofi and Yves Saint Laurent Groupe, held on May 17th, 1993, have approved the merger of the company Yves Saint Laurent Groupe with the company Elf Sanofi.

On February 24th, 1993, the management of Yves Saint Laurent Groupe suspended the exercise of these Warrants as from March 16th, 1993, and a notice has been published to this effect in the BALO, the Obligatory Legal Announcements Bulletin, on March 1st, 1993.

The Elf Sanofi Extraordinary General Meeting of May 17th, 1993 stated in its seventh resolution that Elf Sanofi would assume Yves Saint Laurent Groupe, in the rights and duties of Yves Saint Laurent Groupe regarding the above Warrants. Given the merger exchange ratio of Yves Saint Laurent Groupe Shares to Elf Sanofi Shares, the new subscription ratio would entitle the holder of 3 Warrants to apply for 1.6 Elf Sanofi Shares (par value of FF 100), for FF 1 535.40, equivalent to FF 959.63 per share.

In the same meeting, it was decided that the above substitution of Yves Saint Laurent Groupe by Elf Sanofi will cancel the preferential subscription rights of the existing shareholders of Elf Sanofi for the subscription of Elf Sanofi Shares to be issued on exercise of these Warrants.

As of June 7th, 1993, the Warrants are listed on the Second Marché of the Paris Stock Exchange under the name of Elf Sanofi (ex-Yves Saint Laurent Groupe). The holders of such Warrants can exercise under the conditions mentioned above as of that same date.

June 1993

ANZ Bank

Australia and New Zealand Banking Group Limited

(Incorporated with limited liability in the State of Victoria, Australia)

U.S. \$200,000,000

Floating Rate Notes due 1994

Notice is hereby given that for the Interest Period 10th June, 1993 to 10th September, 1993 the Notes will carry a Rate of Interest of 3.6483 per cent. per annum with an Amount of Interest of U.S. \$93.04 per U.S. \$10,000 Note. The relevant Interest Payment Date will be 10th September, 1993.

Bankers Trust Company, London

Agent Bank

The Chase Manhattan Corporation

U.S. \$400,000,000

Floating Rate Subordinated Notes due 2009 For the three months 11th June, 1993 to 13th September, 1993 the Notes will carry an interest rate of 5% per annum with a coupon amount of U.S. \$137.08 per U.S. \$10,000 Notes, payable on 13th September, 1993.

Bankers Trust Company, London

Agent Bank

Hongkong Bank

The Hongkong and Shanghai Banking Corporation Limited (Incorporated in Hong Kong with limited liability)

U.S. \$400,000,000

PRIMARY CAPITAL UNDATED FLOATING RATE NOTES (SECOND SERIES)

Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant Interest Payment Date September 13, 1993 in respect of \$5,000 nominal of the Notes will be \$65.28 and in respect of \$100,000 nominal of the Notes will be \$1,305.56.

June 11, 1993 London By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

ARAB BANKING CORPORATION (B.S.C.)

USD 150,000,000

FLOATING RATE

NOTES DUE 2000

For the period June 10, 1993 to December 10, 1993 the new rate has been fixed at 5.25% P.A. Next payment date: December 10, 1993

Coupon nr: 17 Amount: USD 266.88 for the denomination of USD 10 000

THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP 15, Avenue Emile Reuter LUXEMBOURG

U.S. \$275,000,000

U.S. \$200,000,000 has been issued as the Initial Tranche

The Bank of New York Company, Inc.

Floating Rate Subordinated Capital Notes due 1997

Notice is hereby given that the Rate of Interest has been fixed at 5.25% p.a. and that the interest payable on the relevant Interest Payment Date, September 13, 1993 against Coupon No. 31 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$137.08.

June 11, 1993 London By: Citibank, N.A. (Issuer Services), Reference Agent

CITIBANK

U.S. \$750,000,000

Lloyds Bank Plc

(Incorporated in England with limited liability)

Primary Capital Undated Floating Rate Notes (Series 1)

For the six months June 11, 1993 to December 13, 1993 the Notes will carry an interest rate of 3.8125% per annum, with a Coupon Amount of U.S. \$195.92 payable on December 13, 1993.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

GOLD FIELDS COAL LIMITED

(Incorporated in the Republic of South Africa) (Registration No. 01/01124/008)

DECLARATION OF DIVIDEND

The company has declared an interim dividend No. 180 of 40 cents per ordinary share in South African currency, payable to members registered at the close of business on 25 June 1993.

Warrants payable on 4 August 1993 will be posted on 3 August 1993.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 25 June 1993, in accordance with the above-mentioned conditions.

The register of members will be closed from 26 June to 2 July 1993, inclusive.

By order of the Board per pro GOLD FIELDS CORPORATE SERVICES LIMITED London Secretaries S.J. Dunning, Secretary

United Kingdom Registrar: Barclays Registrars Bourne House 34 Beckenham Road Beckenham Kent, BR8 4TU

London Office: Greenoak House Francis Street London, SW1P 1DH 10 June 1993

A member of the Gold Fields Group

U.S. \$150,000,000

Bank of Ireland

(Established in Ireland by Charter in 1783, and having limited liability)

Undated Floating Rate Primary Capital Notes

In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from June 11, 1993 to September 13, 1993 the Notes will carry an interest rate of 3.825% per annum. The interest payable on the relevant interest payment date, September 13, 1993 will be U.S. \$94.65 per U.S. \$10,000 principal amount.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

June 11, 1993

NOTICE TO HOLDERS OF THE FLOATING RATE SUBORDINATED CAPITAL NOTES DUE APRIL 1998 (THE "NOTES") OF CHEMICAL BANKING CORPORATION (AS LEGAL SUCCESSOR BY MERGER TO MANUFACTURERS HANOVER CORPORATION (THE "COMPANY"))

NOTICE IS HEREBY GIVEN that the Company intends to and will redeem on July 13, 1993 (the "Redemption Date") all of the Notes which are outstanding on the Redemption Date at a redemption price equal to 100% of the principal amount thereof together with any accrued and unpaid interest on the Notes to the Redemption Date. Interest on the Notes shall cease to accrue on and after the Redemption Date.

Payment will be made on or after the Redemption Date upon presentation and surrender of the Notes, together with all appurtenant coupons maturing on or subsequent to the Redemption Date, at the specified offices of any of the Paying Agents listed below.

Paying Agents

Bankers Trust Company 1 Appold Street Broadgate London EC2A 2HE

Bankers Trust Luxembourg S.A. 14 Boulevard F.D. Roosevelt L-2450 Luxembourg

June 11, 1993

NOTICE OF PREPAYMENT

KTAS

Kjøbenhavns Telefon Aktieselskab

(Copenhagen Telephone Company, Incorporated)

ECU 30,000,000 10 1/4 % 1985-1995 Bonds

Pursuant to paragraph Prepayment of the Terms and Conditions of the Bonds, notice is hereby given that the KTAS will prepay, on July 16, 1993, the total amount remaining outstanding of the above-mentioned Bonds (i.e. ECU 12,000,000) at 100 1/4 % of the principal amount, together with accrued interest (i.e. ECU 35.31 per denomination of ECU 1,000) from March 12, 1993 to the date of redemption.

Payment of principal, premium and interest will be made in accordance with the Terms and Conditions of the Bonds. Bonds must have their coupons due on March 12, 1994 and following attached. Interest will cease to accrue on the Bonds as from July 16, 1993.

Luxembourg, June 11, 1993

The Fiscal Agent KPMG Luxembourg

Market Myths and Duff Forecasts for 1993

The US dollar will move higher, precious metals have been demanded, Japanese equities are not in a new bull trend. You'd NOT read that in FullerMoney - the independent investment letter. FullerMoney forecasts are some of the best (see page 10). Tel: London 71-439 4951 (071 in UK) or Fax: 71-439 4952

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هنا من الأهل

Record quarter for Canadian securities firms

BENCHMARK GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

INTERNATIONAL GOVERNMENT BONDS							
	Coupon	Red Date	Price	Change	Yield	Week Ago	Month Ago
AUSTRALIA	8.500	09/03	112.8203	+0.50	7.58	7.58	7.55
BELGIUM	8.000	03/03	111.6000	+0.50	7.30	7.38	7.34
CANADA*	7.250	08/03	98.1000	+0.70	7.32	7.32	7.25
DENMARK	8.000	05/03	104.9000	+0.50	7.29	7.46	7.48
FRANCE	8.000	05/08	105.8673	+0.03	6.53	6.86	6.77
FRANCE	8.500	04/04	110.2200	+0.10	7.02	7.26	7.27
GERMANY	6.75	04/03	99.7350	+0.30	6.78	6.87	6.77
ITALY	11.600	03/03	98.2000	-1.00	12.91	12.29	12.81
JAPAN	8.000	06/09	102.1008	+0.28	4.35	4.47	4.43
JAPAN	5.000	06/08	104.0000	+0.53	4.47	4.48	4.45
NETHERLANDS	7.400	03/03	102.4000	+0.51	6.34	6.70	6.83
SPAIN	10.300	06/02	97.3001	-0.44	10.78	10.87	10.81
UK GILTS	7.250	09/08	100-02	-0.02	7.07	7.05	7.11
	8.000	08/03	100-05	-0.02	7.98	8.01	8.04
	8.000	10/06	100-13	-0.02	8.38	8.39	8.40
US TREASURY*	6.500	02/03	101-14	+0.02	8.05	8.04	8.04
US TREASURY*	7.125	02/03	102-07	+0.02	8.87	8.87	8.87
ECU (French Govt)	8.250	04/03	104.1700	+0.00	7.58	7.55	7.77

London closing, *denotes New York morning session Yields: Local market standard
 (Gross annual yield including withholding tax at 12.5 per cent payable by non-residents)
 Prices: US \$100 face value Source: Reuters

move below those in Germany within the next six months. release today of the key economic review. Most analysts expect the Tankan quarterly

■ **HIGH-yielding** European markets were weak yesterday, with Spanish government bond prices slipping back after the rises that followed the general election at the weekend.

■ **JAPANESE** government bond yields fell ahead of the

Lasmo issues \$250m of preference shares

NEW INTERNATIONAL BOND ISSUES

By Tracy Coughlin

the average maturity of the company's debt to 8½ years, from 5½ years as at the end of last year.

As part of the company's efforts to broaden the distribution of its shares in the US, its shares were listed on the New York Stock Exchange on Wednesday.

The deal virtually completes the refinancing of the bank debt taken on by Lasmo in connection with its acquisition of Ultramar. Lasmo had already raised \$350m through a Yankee bond issue at the end of last month.

● **ALSO** in the US preferred stock market, Banco Bilbao Vizcaya, the Spanish bank, has launched a \$200m issue of preference shares, its third such offering.

Unusually, the non-cumulative preference shares will also be offered in Europe. In particular, underwriters are targeting Spanish investors. The securities will be listed on the New York Stock Exchange and will form one single global

The issue will be treated as equity in Lasmo's balance sheet for the purpose of computing balance sheet gearing. Because the proceeds are being used to repay debt, the financing will substantially reduce the company's gearing.

Mr Michael Pavia, finance director of Lasmo, said that the refinancing has helped extend

The preference share issue, arranged by Kidder Peabody, counts as Tier 1 capital under new bank capital rules. The deal is expected to be priced next week, to offer a dividend of 8-8½ per cent.

Also in the dollar sector, Iceland launched a \$125m issue of five-year bonds arranged by Goldman Sachs.

However, international investor demand for French bonds remains strong, particularly at the medium and longer maturities, given the firm tone

In the dollar sector, a \$150m five-year issue for Eli Lilly, the US pharmaceuticals company, was rapidly sold out, due to its

Banco Comercial became the first borrower from Uruguay, apart from the government which recently came to the market to issue the Treasury

Banco Santander de Negocios, writes Sara Webb. Banca Cremi is Mexico's ninth largest bank in terms of total assets and was privatised in 1991. It will use the proceeds to refinance existing debt.

Santander said it is looking at a yield spread of about 450 basis points over US Treasuries. Banca Cremla did a US\$50m three-year bond issue in October 1992 which was priced to yield 490 basis points

"The bond issue is meant to increase the duration of debt and introduce Cremit to the international financial community," said one of the bankers involved in the deal.

LIFE EQUITY OPTIONS

LIFFE EQUITY OPTIONS

Option	CALLS				PUTS				Option	CALLS				PUTS			
	Jan	Feb	Mar	Apr	Jan	Feb	Mar	Apr		Jan	Feb	Mar	Apr	Jan	Feb	Mar	Apr
ATM	500	47	91	88	5	12	19	—	ATM	430	30	52	51	40	26	25	—
10% (537)	550	15	28	25	3	3	3	41	10% (567)	460	24	43	43	31	21	21	—
20% (567)	500	20	32	29	16	17	23	—	20% (597)	425	25	39	39	14	27	20	—
30% (597)	330	20	36	32	26	34	39	—	30% (627)	430	13	22	20	23	43	—	
40% (627)	380	6	16	12	22	26	34	—	40% (657)	420	18	27	27	51	30	—	
50% (657)	470	8	11	—	25	6	—	—	50% (687)	460	24	36	36	36	23	—	
60% (687)	520	7	8	—	25	11	—	—	60% (717)	510	15	18	18	23	23	—	
70% (717)	570	7	8	—	25	11	—	—	70% (747)	560	12	15	15	23	23	—	
80% (747)	620	7	8	—	25	11	—	—	80% (777)	610	12	15	15	23	23	—	
90% (777)	670	7	8	—	25	11	—	—	90% (807)	660	12	15	15	23	23	—	
100% (807)	720	7	8	—	25	11	—	—	100% (837)	710	12	15	15	23	23	—	
110% (837)	770	7	8	—	25	11	—	—	110% (867)	760	12	15	15	23	23	—	
120% (867)	820	7	8	—	25	11	—	—	120% (897)	810	12	15	15	23	23	—	
130% (897)	870	7	8	—	25	11	—	—	130% (927)	860	12	15	15	23	23	—	
140% (927)	920	7	8	—	25	11	—	—	140% (957)	910	12	15	15	23	23	—	
150% (957)	970	7	8	—	25	11	—	—	150% (987)	960	12	15	15	23	23	—	
160% (987)	1020	7	8	—	25	11	—	—	160% (1017)	1010	12	15	15	23	23	—	
170% (1017)	1070	7	8	—	25	11	—	—	170% (1047)	1060	12	15	15	23	23	—	
180% (1047)	1120	7	8	—	25	11	—	—	180% (1077)	1110	12	15	15	23	23	—	
190% (1077)	1170	7	8	—	25	11	—	—	190% (1107)	1160	12	15	15	23	23	—	
200% (1107)	1220	7	8	—	25	11	—	—	200% (1137)	1210	12	15	15	23	23	—	
210% (1137)	1270	7	8	—	25	11	—	—	210% (1167)	1260	12	15	15	23	23	—	
220% (1167)	1320	7	8	—	25	11	—	—	220% (1197)	1310	12	15	15	23	23	—	
230% (1197)	1370	7	8	—	25	11	—	—	230% (1227)	1360	12	15	15	23	23	—	
240% (1227)	1420	7	8	—	25	11	—	—	240% (1257)	1410	12	15	15	23	23	—	
250% (1257)	1470	7	8	—	25	11	—	—	250% (1287)	1460	12	15	15	23	23	—	
260% (1287)	1520	7	8	—	25	11	—	—	260% (1317)	1510	12	15	15	23	23	—	
270% (1317)	1570	7	8	—	25	11	—	—	270% (1347)	1560	12	15	15	23	23	—	
280% (1347)	1620	7	8	—	25	11	—	—	280% (1377)	1610	12	15	15	23	23	—	
290% (1377)	1670	7	8	—	25	11	—	—	290% (1407)	1660	12	15	15	23	23	—	
300% (1407)	1720	7	8	—	25	11	—	—	300% (1437)	1710	12	15	15	23	23	—	
310% (1437)	1770	7	8	—	25	11	—	—	310% (1467)	1760	12	15	15	23	23	—	
320% (1467)	1820	7	8	—	25	11	—	—	320% (1497)	1810	12	15	15	23	23	—	
330% (1497)	1870	7	8	—	25	11	—	—	330% (1527)	1860	12	15	15	23	23	—	
340% (1527)	1920	7	8	—	25	11	—	—	340% (1557)	1910	12	15	15	23	23	—	
350% (1557)	1970	7	8	—	25	11	—	—	350% (1587)	1960	12	15	15	23	23	—	
360% (1587)	2020	7	8	—	25	11	—	—	360% (1617)	2010	12	15	15	23	23	—	
370% (1617)	2070	7	8	—	25	11	—	—	370% (1647)	2060	12	15	15	23	23	—	
380% (1647)	2120	7	8	—	25	11	—	—	380% (1677)	2110	12	15	15	23	23	—	
390% (1677)	2170	7	8	—	25	11	—	—	390% (1707)	2160	12	15	15	23	23	—	
400% (1707)	2220	7	8	—	25	11	—	—	400% (1737)	2210	12	15	15	23	23	—	
410% (1737)	2270	7	8	—	25	11	—	—	410% (1767)	2260	12	15	15	23	23	—	
420% (1767)	2320	7	8	—	25	11	—	—	420% (1797)	2310	12	15	15	23	23	—	
430% (1797)	2370	7	8	—	25	11	—	—	430% (1827)	2360	12	15	15	23	23	—	
440% (1827)	2420	7	8	—	25	11	—	—	440% (1857)	2410	12	15	15	23	23	—	
450% (1857)	2470	7	8	—	25	11	—	—	450% (1887)	2460	12	15	15	23	23	—	
460% (1887)	2520	7	8	—	25	11	—	—	460% (1917)	2510	12	15	15	23	23	—	
470% (1917)	2570	7	8	—	25	11	—	—	470% (1947)	2560	12	15	15	23	23	—	
480% (1947)	2620	7	8	—	25	11	—	—	480% (1977)	2610	12	15	15	23	23	—	
490% (1977)	2670	7	8	—	25	11	—	—	490% (2007)	2660	12	15	15	23	23	—	
500% (2007)	2720	7	8	—	25	11	—	—	500% (2037)	2710	12	15	15	23	23	—	
510% (2037)	2770	7	8	—	25	11	—	—	510% (2067)	2760	12	15	15	23	23	—	
520% (2067)	2820	7	8	—	25	11	—	—	520% (2097)	2810	12	15	15	23	23	—	
530% (2097)	2870	7	8	—	25	11	—	—	530% (2127)	2860	12	15	15	23	23	—	
540% (2127)	2920	7	8	—	25	11	—	—	540% (2157)	2910	12	15	15	23	23	—	
550% (2157)	2970	7	8	—	25	11	—	—	550% (2187)	2960	12	15	15	23	23	—	
560% (2187)	3020	7	8	—	25	11	—	—	560% (2217)	3010	12	15	15	23	23	—	
570% (2217)	3070	7	8	—	25	11	—	—	570% (2247)	3060	12	15	15	23	23	—	
580% (2247)	3120	7	8	—	25	11	—	—	580% (2277)	3110	12	15	15	23	23	—	
590% (2277)	3170	7	8	—	25	11	—	—	590% (2307)	3160	12	15	15	23	23	—	
600% (2307)	3220	7	8	—	25	11	—	—	600% (2337)	3210	12	15	15	23	23	—	
610% (2337)	3270	7	8	—	25	11	—	—	610% (2367)	3260	12	15	15	23	23	—	
620% (2367)	3320	7	8	—	25	11	—	—	620% (2397)	3310	12	15	15	23	23	—	
630% (2397)	3370	7	8	—	25	11	—	—	630% (2427)	3360	12	15	15	23	23	—	
640% (2427)	3420	7	8	—	25	11	—	—	640% (2457)	3410	12	15	15	23	23	—	
650% (2457)	3470	7	8	—	25	11	—	—	650% (2487)	3460	12	15	15	23	23	—	
660% (2487)	3520	7	8	—	25	11	—	—	660% (2517)	3510	12	15	15	23	23	—	
670% (2517)	3570	7	8	—	25	11	—	—	670% (2547)	3560	12	15	15	23	23	—	
680% (2547)	3620	7	8	—	25	11	—	—	680% (2577)	3610	12	15	15	23	23	—	
690% (2577)	3670	7	8	—	25	11	—	—	690% (2607)	3660	12	15	15	23	23	—	
700% (2607)	3720	7	8	—	25	11	—	—	700% (2637)	3710	12	15	15	23	23	—	
710% (2637)	3770	7	8	—	25	11	—	—	710% (2667)	3760	12	15	15	23	23	—	
720% (2667)	3820	7	8	—	25	11	—	—	720% (2697)	3810	12	15	15	23	23	—	
730% (2697)	3870	7	8	—	25	11	—	—	730% (2727)	3860	12	15	15	23	23	—	
740% (2727)	3920	7	8	—	25	11	—	—	740% (2757)	3910	12	15	15	23	23	—	
750% (2757)	3970	7	8	—	25	11	—	—	750% (2787)	3960	12	15	15	23	23	—	
760% (2787)	4020	7	8	—	25	11	—	—	760% (2817)	4010	12	15	15	23	23	—	
770% (2817)	4070	7	8	—	25	11	—	—	770% (2847)	4060	12	15	15	23	23	—	
780% (2847)	4120	7	8	—	25	11	—	—	780% (2877)	4110	12	15	15	23	23	—	
790% (2877)	4170	7	8	—	25	11	—	—	790% (2907)	4160	12	15	15	23	23	—	
800% (2907)	4220	7	8	—	25	11	—	—	800% (2937)	4210	12	15	15	23	23	—	
810% (2937)	4270	7	8	—	25	11	—	—	810% (2967)	4260	12	15	15	23	23	—	
820% (2967)	4320	7	8	—	25	11	—	—	820% (2997)	4310	12	15	15	23	23	—	
830% (2997)	4370	7	8	—	25	11	—	—	830% (3027)	4360	12	15	15	23	23	—	
840% (3027)	4420	7	8	—	25	11	—	—	840% (3057)	4410	12	15	15	23	23	—	
850% (3057)	4470	7	8	—	25	11	—	—	850% (3087)	4460	12	15	15	23	23	—	
860% (3087)	4520	7	8	—	25	11	—	—	860% (3117)	4510	12	15	15	23	23	—	
870% (3117)	4570	7	8	—	25	11	—	—	870% (3147)	4560	12	15	15	23	23	—	
880% (3147)	4620	7	8	—	25	11	—	—	880% (3177)	4610	12	15	15	23	23	—	
890% (3177)	4670	7	8	—	25	11	—	—	890% (3207)	4660	12	15	15	23	23	—	
900% (3207)	4720	7	8	—	25	11	—	—	900% (3237)	4710	12	15	15	23	23		

EQUITIES

EQUITIES											
Issue Price	Per % Adj	Landed Cost	1983		Stock	Closing Price	Vol	Net Div	Times Div'd	Gross Yield	P/E Ratio
			High	Low							
45	FF	-	58	55	Bank for the Border	69	-	N-	-	-	7.0
45	FF	-	58	55	Banking Associates	69	-	-	-	-	-
100	FF	-	100	100	Bank of America	100	-	-	-	-	-
100	FF	-	100	100	Bank of Montreal	100	-	-	-	-	-
100	FF	-	100	100	Bank of New York	100	-	-	-	-	-
100	FF	-	100	100	Bank of South America	100	-	-	-	-	-
100	FF	-	100	100	Bank of the South	100	-	-	-	-	-
100	FF	-	100	100	Bank of the West	100	-	-	-	-	-
100	FF	-	100	100	Bank of the World	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Americas	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Pacific	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Atlantic	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Caribbean	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Middle East	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Far East	100	-	-	-	-	-
100	FF	-	100	100	Bank of the South Sea	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Indian Ocean	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Arctic	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Antarctic	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equator	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Tropic	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropic	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Equatorial	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Subtropical	100	-	-	-	-	-
100	FF	-	100	100	Bank of the Polar	100	-	-	-	-	-
100	FF	-									

Year	Population	Land Area	1990	Area	Population
1990	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

2	rate up	Date	high	Low		2	-
100	F.P.	-	101 1/2	100 1/2	Mid-Lynn Field 6 1/2% Cr Oil 2000	101 1/2	+1/2
100	F.P.	-	101 1/2	101 1/4	Forte 6 1/2% Cr Oil 2000	101 1/2	+1/2
100	F.P.	-	102 1/2	101	Marathon Fields 6 1/2% Cr Oil 2000	102 1/2	+1/2
100	F.P.	-	102 1/2	102 1/2	P & G 7 1/2% Cr Oil 2000	102 1/2	-1

Index	Amount	Label	Code	Company
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[illegible]

TRADITIONAL OPTIONS

- First Dealings June 1
- Last Dealings June 11
- Last Declarations Sep. 2
- For settlement Sep. 13

3-month call rate indications are shown in Saturday editions.

Calls in Babcock, Betterware, Cluff Oil, S.W. Wood, Waterford Wedgwood and Waverley Mining Ltd.

FT-ACTUARIES FIXED INTEREST

PRICE INDICES					AVERAGE GROSS REDEMPTION YIELDS	Thu Jun 10	Wed Jun 9	Year ago (approx.)
	Thu	Day's	Wed	Accrued	nd adj.	British Government		

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bond unless otherwise indicated. Coupon shown is minimum. Spread margin above net-market interest rate. **FLOATING RATE NOTES:** Denominated in dollars unless otherwise indicated. **Coupon:** The current coupon. **Yield:** The yield to maturity of the bond unless otherwise indicated. **Grv. price:** Nominal amount of bond per share expressed in currency of share at the time of issue. **Conversion rate:** The number of shares into which the bond can be converted. **Three-month:** Submits mean rate for US dollars. **Conversion:** The number of shares into which the bond can be converted over the most recent price of the bond. **Convertible Bonds:** Denominated in dollars unless otherwise indicated. **Grv. price:** Nominal amount of bond per share expressed in currency of share at the time of issue. **Conversion rate:** The number of shares into which the bond can be converted over the most recent price of the bond. **Conversion rate:** The number of shares into which the bond can be converted over the most recent price of the bond. **Conversion rate:** The number of shares into which the bond can be converted over the most recent price of the bond.

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COMPANY NEWS: UK

Strong performance from all core activities

Christian Salvesen rises 64% to £75.9m

By Andrew Bolger

CHRISTIAN SALVESEN, the distribution, specialist hire and manufacturing group, yesterday reported a strong performance by its core activities and was optimistic regarding growth opportunities.

Under FRS 3, pre-tax profits expanded by 64 per cent to £75.9m and earnings per share almost doubled to 19.1p (10p). The new accountancy standard had little impact on the latest figures, but the previous year's comparatives were slashed by including an extraordinary charge of £19.1m above the line.

Mr Chris Masters, chief executive, said: "On the old accountancy basis both pre-tax profits and earnings per share are up by over 11 per cent. We are delighted to report that all our business service activities have moved ahead."

The distribution division, which makes 44 per cent of group trading profits, increased trading profits by 13.6 per cent to £35.1m, with

continental Europe and the US showing good advances.

In the more mature UK market, where the group supplies retailers such as J Sainsbury and Marks and Spencer, distribution profits increased by 3.5 per cent to £20.5m.

Trading profits from specialist hire increased by 19.3 per cent to £28.4m, in spite of a disappointing performance from Light and Sound Design, which suffered from the slump in pop concerts in Europe and the US.

Salvesen Food Services, which processes and freezes own-label vegetables, increased trading profits by 6 per cent to £12.4m, in spite of a small reduction in the volumes processed.

Salvesen Brick's trading profits fell from £3.9m to £1.7m, although the business increased its share of a sharply reduced market.

Cashflow remained strong, helped by the £28.5m proceeds from the sale of the group's Oilfield Technology subsidiary. Gearing fell from 34.9 per cent to 14.5 per cent.

Under FRS 3, earnings per share rose to 19.1p (10p). A final dividend of 4.6p (4.1p) gives a total of 7.8p (7p), an increase of 11.4 per cent.

COMMENT

The headline figures were in line with expectations, although a strong performance by distribution compensated for the hire division's disappointments. Mr Masters is happy with the balance of the group, which now obtains 95 per cent of trading profits from business-to-business services.

That strong defensive stance accounts for the re-rating which the group's shares have enjoyed in the past three years. Forecast profits of £85m put the shares, down 4p to 352p, on a prospective multiple of 16.5. The 15 per cent premium to the market is well deserved on a long-term view of the group and its quality management, but the shares may continue to mark time while institutions focus on shares with more immediate recovery potential.

Betterware shares fall as chief cuts holding

By Angus Foster

MR ANDREW COHEN, chief executive of Betterware, the home shopping company, and his parents, have reduced by 13 per cent their stake in the company he has built up over the last 10 years. The sales raised about £30m.

The shares were placed mainly with UK institutions by BZW and Albert E Sharp at 230p. Betterware's shares recovered after an early fall to close 8p down at 240p.

Mr Cohen said the sales were in response to demand for the company's shares, which were tightly held, and the sale would improve their marketability. "We decided the time was right," he said.

However, he said there would be no further sales in "the foreseeable future". Following the sale, the stake held by Mr Cohen, fellow directors and their families will fall from 63 per cent to 50.3 per cent. Mr Cohen said he intended to maintain the controlling shareholding at this level.

The disposal was unexpected on the stock market, where analysts pointed to comments made by Mr Cohen in a Sunday newspaper last month. Mr Cohen said in an interview that he had no intention of reducing his stake, which has now fallen from 28 per cent to 22 per cent. Mr Cohen's parents have reduced their stake from 29 per cent to 22.5 per cent.

According to Betterware's annual report, delivered to shareholders yesterday, Mr Cohen received 2.35 per cent pay rise last year. His salary and benefits increased 25 per cent to £130,494, while his performance pay increased 35 per cent to £254,784. Earnings and pre-tax profits both increased by more than 70 per cent during the year.

12p premium for Quayle Munro

Shares in Quayle Munro Holdings, the small Edinburgh-based merchant bank, closed at 130p yesterday on their first day of trading, a gain of 12p on the offer price.

The 10 per cent premium was less than analysts had expected. The bank, which has a portfolio of holdings in unquoted companies, has a market capitalisation of £5.2m at yesterday's closing price.

ACT advances 20% to £20.5m

By Paul Taylor

ACT Group, the Birmingham-based computer software and services group, yesterday reported a 20 per cent increase in full year pre-tax profits underpinned by strong organic growth in its core financial software products business.

Pre-tax profits advanced to a record £20.5m in the year to March 31, compared to £17m, which included exceptional investment profits of £1.04m. Turnover rose 28 per cent from £119.4m to £153m, including £7.1m from acquisitions.

Earnings per share increased by 4.6 per cent to 11.33p (10.89p) and an increased final dividend of 3.25p (3p) per share is proposed making a total for the year of 5p (4.5p).

Operating profits, including £1.15m from acquisitions, increased to £19.1m (£15m), while net interest income fell to £1.4m (£2.02m) mainly as a result of lower interest rates. The group ended the year with net cash of £25m.

Mr Roger Foster, chairman, said the core financial software product companies, ACT Financial Systems and ACT Kindie, had "an excellent year" with strong organic growth in sales and profits. They now represent more than 75 per cent of total profits.

In financial systems a strong performance by the UK division was accompanied by further growth in the international subsidiaries. NMW Computers, which was acquired in November, has

been successfully integrated and made a positive contribution in the second half.

Kindie, the Irish banking software house, also maintained the strong organic growth experienced since its acquisition in December 1991 and continued its international expansion with orders from 25 new banking customers. Eastern Europe, in particular, was said to be becoming a significant area of new business.

ACT's other main division, UK Software and Services, managed to improve its performance "substantially" in the second half as a result of strong management action and increased demand. Second half operating profits jumped to £4.2m, against £1.4m in the first half.

COMMENT

These results answer some criticism of the group's rapid expansion through acquisition and show that ACT can indeed grow its business organically. Financial and banking software is now clearly established as the core business. The international market for financial and banking software is growing by more than 15 per cent a year and is also very profitable. ACT is itself becoming increasingly international with overseas sales now exceeding £20m. This year pre-tax profits of about £24m are likely, producing earnings per share of about 13.2p. Based on yesterday's close of 152p, up 9p, the stock is trading on a prospective p/e of 11.5 and is probably undervalued.

Heseltine called on to launch inquiry into events at Alpine

By Peggy Hollinger and Catherine Milton

MR MICHAEL HESLITINE, trade and industry secretary, has been urged to launch an investigation into events at Alpine (Double Glazing), the windows company which ceased trading at the end of May.

Mr Giles Radice, Labour MP for Durham North, yesterday sent a letter to Mr Heseltine voicing concerns over the whereabouts and status of employees' pension payments.

He asks Mr Heseltine to "institute inquiries into the activities of Alpine and those associated with it and, should it be necessary, refer your findings to the Serious Fraud Office."

About £50,000 of pension monies are in a

solicitor's account, according to the receiver, Mr Grant Jones of Morrison Stoneham who was appointed on Friday. However, it is unclear whether employees will have rights to these funds.

Mr Radice's letter adds that since Alpine "was sold in early 1992", with the backing of Midlands entrepreneur Mr Clive Smith, the company's activities and administration have been open to question.

Mr Radice, acting on behalf of those employed at the Alpine factory in his constituency, also appealed to Mr David Hunt, employment secretary, to confirm that they were entitled to statutory rights under the Insolvency Fund.

The DTI refused to comment yesterday on Mr Radice's letter. However, it is understood that representatives of the depart-

ment met former employees of Alpine earlier this year following a series of complaints over events at the company.

Separately, trading standards officers are investigating Alpine (Double Glazing) for allegedly using the logo of the Glass and Glazing Federation after its membership had lapsed.

Mr Brian Hern, director of the Glass and Glazing Federation, said Alpine's membership of the trade association was terminated in September 1991.

Ms Helen Lamb of Brent Ealing and Harrow trading standards service said: "Investigations are continuing into Alpine over an allegation of offences under the Trade Description Act. The allegation is of using the Glass and Glazing Federation logo after their membership had lapsed."

Lynx buy and fund raising

LYNX Holdings, the USM-quoted computer services and leisure products company, yesterday announced that it was to make an acquisition, raise additional working capital of £1.25m and move to the Official List.

Lynx has conditionally agreed to acquire Signal, a provider of computer systems, software and support services to motor dealerships, for a total of £1.5m. Signal made operating profits of £209,000 on turnover of £2.04m in 1992.

The consideration for Signal's share capital is £1m, to be satisfied by the issue of 3.28m new shares. In addition Lynx will repay the Signal directors' loan accounts and other indebtedness amounting to £500,000.

Lynx plans to raise £1.75m before expenses via a cash placing of 5.83m shares at 30p each.

The cash will be used to discharge the indebtedness of Signal, provide additional working capital and cover the expenses of the acquisition and move to a full listing.

Brown & Jackson £21m rights to cut borrowings

By Roland Rudd

BROWN & JACKSON, which owns the Poundstretcher discount retail chain, yesterday surprised the market by announcing its second rights issue in just over a year to raise £21m.

The 2-for-5 cash call at 12p will be used to reduce borrowings and finance a store opening programme. The existing shares slipped ¼p to 14¼p.

Mr Ian Gray, chief executive, said: "The last rights took us far enough out of a hole to see daylight; we are now going forward."

Shareholders were last tapped for funds after the company's restructuring was completed in April 1992. The group established a three year plan to maximise the profitability of its 260 stores.

The group, which has undergone a management shake-up as it reverted to a December year-end, recently reported pre-tax profits of £987,000 on turn-

over of £341.9m in the 15 months to December 31. Mr Gray said new finance was needed to take advantage of opportunities in the market.

Some £13m of the new proceeds will be used to buy 15 new stores this year and a further 45 the following year.

Borrowings, which averaged £19m last year, will be reduced by £8m. The remaining £2m is expected to be used for further acquisitions.

Mr Gray said he was confident that the £21m was enough to fund working capital for growth. "We are not about to take a nibble now only to come back for a nibble next year. We have had our rescue rights and we now have one for growth."

The existing stores will continue to be upgraded. The electronic point of sale system has been extended from 57 to 195 stores in the last year and is scheduled to be installed in all stores by the end of the year.

According to Betterware's annual report, delivered to shareholders yesterday, Mr Cohen received 2.35 per cent pay rise last year. His salary and benefits increased 25 per cent to £130,494, while his performance pay increased 35 per cent to £254,784. Earnings and pre-tax profits both increased by more than 70 per cent during the year.

12p premium for Quayle Munro

Shares in Quayle Munro Holdings, the small Edinburgh-based merchant bank, closed at 130p yesterday on their first day of trading, a gain of 12p on the offer price.

The 10 per cent premium was less than analysts had expected. The bank, which has a portfolio of holdings in unquoted companies, has a market capitalisation of £5.2m at yesterday's closing price.

Blacks Leisure falls into the red after property write-down

By Roland Rudd

BLACKS LEISURE, the fashion retailer and sports wholesaler, yesterday incurred a loss before tax of £564,000 in the year ended February 27, its first deficit for five years.

The outcome compared with the previous year's pre-tax profit of £3.7m. The loss was struck after an exceptional charge of £600,000, mainly relating to the write-down of properties.

Blacks recently sold the LA Gear distribution business for £2.35m, reducing year-end gearing from 35 to 8 per cent.

It also closed the loss-making textile converting and merchandising operation which gave rise to an extraordinary charge of £5.6m, which includes goodwill previously written off to reserves.

Mr Simon Bentley, chairman and chief executive, criticised the new accounting rules which stipulate that both extraordinary and exceptional

items should go above the line.

"Under FRS 3 it would have looked as if we had made a £10m loss when in fact we were making an operating profit",

Retail, which sells camping and sporting goods, suffered a pre-tax loss of £888,000, compared to a pre-tax profit of £1.9m. Mr Bentley described the result as "disappointing" but not unexpected given what was happening to the company's markets.

The distribution operation saw pre-tax profits decline from £2m to £2m.

The company blamed the fall on the fact that many of its retail customers over-stocked and were therefore reluctant to place forward order commitments.

Group administration costs and net interest fell from £2.2m to £1.7m.

Losses per share of 1.63p compared with earnings of 9.82p.

The final dividend is cut from 2.25p to 1.5p making a total of 2.25p (3.35p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
ACT	3.25	Aug 8	3	4.5	4.5
Blacks Leisure	1.5	Oct 8	2.25	3.75	3.75
Crabtree & Evelyn	3.25	Aug 28	-	4.75	-
Control Tech	2.35	Aug 5	2.15	6.85	6.85
Cropper (4)	2.125	Aug 17	2.025	3.1	3
Dalrymple	1.17	July 30	1.87	1.46	1.46
Electric Pope	1.17	July 31	1.31	3.25	3.25
GWR	4	Sept 30	3	7	7
McGregor & Smaller	2.48	July 30	2.325	4.28	4.125
Northumbria Water	15	Oct 1	13.7	28.5	28.5
Oxford Instrum	3.1	Oct 1	2.9	4.5	4.3
Park Food	4	Oct 1	2.2	6	3.2
Perini	7	July 21	1	10	2
Pittsford	1.07	Aug 20	3.07	4	6
Powerstream Int	4.8	July 30	4.3	6.61	6
Protein	2.7	July 31	2.15	3.6	2.75
RCO	4.85	Sept 25	4.62	7.8	13.88
Salvesen (C)	4.8	Aug 9	4.1	7.8	7
Scapa	4.03	Aug 4	3.84	5.83	5.36
Scottish Hydro	7.78	Oct 1	6.91	11.38	10.18
Shelton (Marit)	1.5	Aug 10	1	2.25	1.75
SIO Group	1	July 30	1.5	2	2.5
Staveley Inds	6.2	Aug 10	5.5	8.5	8.2
Watson & Philp	4.41	Aug 6	4.2	13.3	13.3
Welpac	nil	nil	0.2	nil	0.2

Dividends shown pence per share net except where otherwise stated. 70c increased capital. \$USM stock. * Enhanced scrip option available.

Receivers at Palmerston subsidiaries

By Peter Pearce

Three subsidiaries of Palmerston Holdings, the property group, have had receivers appointed by Hill Samuel Bank after they were unable to meet a demand to repay £10.4m of loans by June 7.

The announcement was made last night after the market had closed. The shares were unchanged at 15p.

The companies in receivership are Reliable Properties, Florin Properties and Benjamin & Edward. In January Palmerston announced it had breached its banking covenants, partly because the value of its properties had declined, and partly because of the support its associate companies required.

Further, Borodin Properties, another subsidiary, has requested in writing for Bankers Trust and the Bank of Yokohama to appoint an official receiver as it is unable to meet current and future tax liabilities. The current debt to the banks is £3.7m.

Alphameric cuts loss to £321,000

Reduced pre-tax losses of £321,000 were announced by Alphameric, the information technology group, for the year to March 31, with losses down to £90,000 in the second half. Losses for the 1991-92 year were £2,08m.

Mr Alan Benjamin, chairman, said the group was now trading profitably and the highest level of orders and business experienced in the latter part of last year had been sustained.

Sales were ahead 33 per cent at £5.83m (£5.14m) with acquisitions accounting for £1.16m. Losses per share came to 1.4p (28.8p).

Ex-chief quits Hartstone board

By Roland Rudd

HARTSTONE Group, the hosiery and leather goods company which recently issued two profits warnings within a week, said Mr Stephen Barker, its former chairman and chief executive, was resigning from the board.

Mr Shaun Dowling, who last month took over as chairman, said Mr Barker "was sick to death with the drama over the last few weeks."

Hartstone's latest warning said pre-tax profits were likely to be reduced by a further £260,000 after arrangements came to light involving payments over four years totalling £1m to employees of a subsidiary company.

Mr Mike Small, the former company treasurer, also arranged for certain funds derived from a foreign

exchange hedging contract to be paid to an account for his benefit. He has been replaced by Mr Martin Randle, controller of the group's US operations.

Coopers & Lybrand, which has undertaken a thorough review of the current financial position ahead of any remaining arrangement, yesterday reported to the group's banks.

The full year results, which are due at the end of June, are likely to be delayed until July.

Hartstone recently said it had breached at least one banking covenant calling for 2.5 times interest cover. Interest charges at the half-way stage had risen from £1.3m to £3.3m.

Mr Dowling said the breach of one covenant meant that all were being reviewed.

LEGAL NOTICES

HERON INTERNATIONAL N.V. (HINV) RESTRUCTURING PROPOSALS

We are creditors of HINV and consider that HINV's Restructuring Proposals adversely affect our interests as creditors and may accord Heron's Banks an inappropriate preference. Our review of the documents and documents on display suggest that important information is omitted from the Scheme documents as they affect creditors. We are considering opposing the Scheme in all jurisdictions.

If you are a creditor of HINV and wish to participate with others in considering opposing the Scheme now proposed, we would be interested in an exchange of views leading to possible cooperation. In such event please contact our solicitors who are:-

Richards Butler
Beaufort House
15 St. Botolph Street
London EC3A 7EE
England
Tel: 071 247 6555
Fax: 071 247 5091
Ref: DGW

FIRST EASTERN DEVELOPMENTS LIMITED

June 11, 1993

N&P
National & Provincial Building Society
(the "Issuer")

£50,000,000 Extendible Variable Rate Series A Notes 1993/98
£25,000,000 Extendible Variable Rate Series B Notes 1993/98
£25,000,000 Extendible Variable Rate Series C Notes 1993/98
(together the "Notes")

On behalf of the Issuer, S.G. Warburg & Co. Ltd. hereby gives notice to the holders of the Notes that in accordance with Condition 5 (b)(ii) of the Notes the Issuer has elected not to offer to the Noteholders the option to extend the maturity of any Note to the extended Maturity Date.

Therefore the Issuer will redeem at their principal amount all of the Notes outstanding of Series A on 20th September, 1993, Series B on 26th October, 1993 and Series C on 26th November, 1993.

Payment of principal will be made at the offices of:
S.G. Warburg & Co. Ltd. Krefeldbank S.A. Luxembourg
2 Finsbury Avenue 43 Boulevard Royal
London EC2M 2PA L-2955 Luxembourg

11th June, 1993

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COMPANY NEWS: UK

Sales to England and Wales up 16% and represent 20% of turnover
Scottish Hydro advances 19%

By Michael Smith

A SHARP rise in sales to England and Wales and higher than average rainfall helped Scottish Hydro-Electric, the electricity generator and distributor, increase pre-tax profits for the year to March 31 by 19 per cent to £146.4m.

The shares, however, closed 2p lower at 344p.

The dividend rise of 12 per cent to 11.38p was at the higher end of expectations. It was achieved on earnings per share of 27.8p (25.3p).

Turnover was 7 per cent up at £717.8m.

Mr Roger Young, chief executive, said the margins improvement had been helped by lower fuel costs resulting from a change in the fuel mix. The contribution of gas was 27

per cent, compared with nil in 1991-92 while hydro increased from 25 to 26 per cent and coal fell from 14 to 9 per cent.

Operating profit was 18 per cent up at £112m.

Mr Young said the company was examining whether to negotiate new five-year contracts with British Coal to replace existing ones with two years to run.

Although new contracts would offer lower prices, comparable with those recently concluded by the generators in England and Wales, one option for the company was to import all coal when current contracts expire.

"We only burn about 1m tonnes of coal a year and can take a risk with imported coal as long as we keep reasonable

stocks," he said.

Unlike most electricity companies, Hydro-Electric has kept staff numbers steady since privatisation two years ago but operating profit per member of staff has risen from £35,000 to more than £50,000 a year.

"We are showing we do not have to cut staff to increase profits," said Mr Young.

Sales in England and Wales were up 15.7 per cent to £135.1m, a fifth of turnover. Sales volumes in Scotland rose 2.3 per cent.

COMMENT

The modest 9 per cent earnings per share rise may explain why yesterday's otherwise impressive results failed to lift the share price. Dividend cover, at 2.43 times, is, after all, low by

electricity company standards.

However, Hydro is capable of increasing earnings by more than most in the sector and the quality looks good. Last year's superficially unimpressive earnings growth was depressed by the redemption of government debt; the underlying improvement was 21 per cent. In future the company will benefit from the sale of its relatively cheap electricity through the enlarged interconnector with England and Wales. That will increase further the proportion of profits from non-regulated generation, up last year by 18 per cent before cross subsidy. Assuming pre-tax profits of £170m this year, the dividend can increase to 12.7p, putting the shares on a prospective yield of 4.6 per cent and worth considering.

Park Food achieves 33% growth to £10.3m

By Gary Mead, Marketing Correspondent

PARK FOOD Group, which specialises in supplying Christmas hampers via a network of 70,000 commission-paid agents into about 1m homes, produced cheery results for the year to March 31.

Pre-tax profits rose 33 per cent to £10.3m, against £7.7m, on turnover down 3 per cent at £116.1m (£119.5m). Earnings per share were 13.29p (10.21p) and a proposed final dividend of 4p makes a total of 6p (3.2p).

The seasonal nature of the group's primary business allows it to estimate early its likely performance for the year. On the basis of customer orders already received for Christmas 1993, Park said yesterday it expects results to show similar levels of growth to those of 1992.

Then the average customer spend increased by 10.5 per cent. This year the typical spend is 11.2 per cent over that of 1992. The group has some 40 per cent of the total UK Christmas hamper market, which is worth an estimated £300m.

Two subsidiaries - Jetlag, supplying travellers' kits to airlines and hotels, and Bee Coo Foods, the group buying arm - continued to contribute to overall profitability.

Mr Peter Johnson, chairman, said that the group was interested in both organic and acquisition growth. He added that while Park Food had not been approached by potential buyers, "we are, no doubt, ourselves a juicy morsel".

Powerscreen at top end of expectations with £25m

By Angus Foster

POWERSCREEN International, the Northern Ireland-based maker of screening and crushing equipment, yesterday reported profits at the top end of market expectations and said the current year had started well.

Pre-tax profits increased by 35 per cent from £18.8m to £25.3m in the year to March 31. The increase included a £3.8m exceptional profit on the sale of Guzzler, a US maker of vacuum cleaning equipment.

The results were compiled under the FRS 3 accounting standard.

Mr Shay McKeown, chief executive, said these were "an excellent set of results" in the face of recession in the UK and a slowdown in Europe.

There was concern about the German economy, but Italy

was growing and the Netherlands was recovering. "We will continue to grow in Europe, just not as fast," he said.

Turnover rose 32 per cent to £95.4m (£72.4m), including £4.37m of sales from acquisitions. These included CPV in the Republic of Ireland, which suffered from currency uncertainties and incurred a small loss.

Sales to the Far East grew strongly and now account for nearly 10 per cent of turnover. Continental European sales increased by 2 percentage points to 30 per cent. Mafro, a maker of telescopic forklift vehicles acquired in 1991, more than doubled sales to £15.2m.

Interest charges were £717,000 (£340,000). The sale of Guzzler lifted net cash at the year end to £17m.

Earnings per share came through at 20.7p (16.3p).

The recommended final dividend of 4.8p makes a total of 6.6p, up 10 per cent.

COMMENT

These results easily pleased Powerscreen's growing band of supporters in the City, which marked the shares up 17p to 337p. The company has scarcely put a foot wrong in the last six years of rising profits, and analysts pointed to Mafro's latest results as indicative that Powerscreen's manufacturing and marketing techniques can still be propagated in new niches. This year, all companies in the group are projecting profits increases and the Far East is likely to pick up any slack from continental Europe. But with full year group profit forecasts of £26m putting the shares on 15 times, all this good news appears to be in the price.

Difficult markets leave Watson & Philip lower

By Catherine Milton

DIFFICULT markets in retail services and cash and carry pushed interim pre-tax profits at Watson & Philip, the food wholesaler and retailer, down from £4.14m to £4.01m after interest costs of £206,000, against income of £26,000.

Turnover in the 26 weeks to April 30, helped by 10 weeks contribution from Circle K, the £21m convenience store chain acquisition, improved to £265.1m, against £240.4m in the 27 weeks to May 1 1992.

Trading profits were £4.7m (£4.31m) helped by £684,000 from Circle K and increases in the Foodservice side.

Mr Ian MacPherson, chairman, said retail services and sales to shops the company did

not own, continued to decline, particularly in the southern half of England. "This confirms our belief that the strategy of expanding our wholly owned network is essential."

He said the main reason for the fall in cash and carry profits was "a substantial decline in trading margins from 1.69 per cent to 1.11 per cent", because of increased competition in a "static to declining market".

The interest charge this time reflected the acquisition and increased working capital at Foodservice. Period end debt of £13m gave gearing of about 25 per cent.

The board declared a 4.4p (4.2p) interim dividend although earnings declined to 8.1p (8.2p).

HTV chief accuses rivals of 'imperialist ambition'

MR LOUIS Sherwood, chairman of HTV, yesterday accused Carlton Communications and Central Independent Television of "imperialist ambition" over independent television, writes Raymond Snoddy.

The two companies, Mr Sherwood said, had been lobbying the government to relax the rules preventing the nine largest ITV companies - which includes HTV - taking each other over.

"As a citizen I absolutely believe in the regional identity of ITV. It's important," said Mr Sherwood, who will join other ITV chairmen at a meeting on Monday with Mr Peter Brooke, the National Heritage Secretary, to discuss the issue of ownership.

He was speaking after the annual meeting at which he criticised a "wildly exaggerated" Carlton claim that £100m a year could be saved from non-programme costs if there was to be a consolidation of ITV companies.

This, he said, would mean that if Carlton took over HTV there would have to be combined overhead savings of about £20m a year based on aggregate advertising revenue.

HTV said it is demonstrating that economies of scale can be created in ITV, but by working partnerships between companies.

HTV is expected to join Meridian and Anglia in opposing at the National Heritage meeting piecemeal changes in ownership rules.

Mersey Docks sails into £14m ship owning joint venture

By Ian Hamilton Fazey, Northern Correspondent

MERSEY DOCKS and Harbour is buying 50 per cent of Merchant Ferries, a roll on-roll off freight ferry operator on Irish Sea routes, in a £14m deal. It is the company's first venture into ship owning.

Merchant Ferries, formerly wholly owned by Cenargo International, a private company, has three ships operating on the Irish Sea between Warrenpoint in Northern Ireland and the two Lancashire ports of Fleetwood and Heysham.

Two bigger ships will shortly replace the pair

on the Heysham route, which then will be chartered out pending redeployment on another Merchant Ferries route.

The deal involves £4.8m cash and a guarantee of Cenargo obligations up to a maximum £9.1m. Merchant Ferries had net assets of £1.33m, excluding ship owning - then part of another company - at its last year-end, with pre-tax profits of £470,000.

Mersey Docks already operates a lift on - lift off service between Liverpool and Ireland through Coastal Containers, a subsidiary which charters its ships.

Cluff Resources gold loan

By David Lascelles, Resources Editor

CLUFF RESOURCES, the mining and minerals group, is negotiating a 20,000 ounce gold loan to finance mining development in Zimbabwe.

Mr Algy Cluff, chairman, told shareholders yesterday that the company would bor-

row the gold from a bullion house at an interest rate of between 5 and 6 per cent, repayable over three years.

The loan would eliminate costly Zimbabwe bank loans and permit development of the Freda Rebecca mine where underground production is expected to be 5,000 ounces

this year.

Cluff is also buying a 70 per cent interest in Aberfoyle Holdings, a private company with operations and assets in Zimbabwe, for about £900,000.

The acquisition is being financed partly by the sale of 2670,000 worth of shares in Cluff Resources Pacific, an Australian associate.

Hydro-Electric Preliminary Results for the year ended 31 March 1993

Turnover	£717.8M - up 7.2%
Pre-tax profit	£146.4M - up 19.3%
Post-tax profit	£105.8M - up 9.1%
Dividend	11.38p - up 12%
Gearing down to	19.3%

Commenting on the results the Chairman, Lord Wilson, said: "It has been a good year for Hydro-Electric.

We have been able to increase our profits and our dividend significantly. This has been done by working hard at serving our customers better; strengthening our market position; and reducing costs. We have continued to invest heavily in Scotland. Out of our total capital expenditure more than £34M - the highest yearly figure yet - has been devoted to refurbishing plant and equipment, particularly in the more remote areas of the north and west.

"Service to our customers continues to improve and they enjoy electricity prices which are among the lowest in the UK. Independent surveys show that Hydro-Electric is more highly rated for customer satisfaction than other utilities. But there is more still to be done and we are striving to do

"Another successful year for Hydro-Electric"

Lord Wilson of Tillyorn - Chairman

better. We are pleased that the number of disconnections of customers for failure to pay has again been sharply reduced - by 69%.

"The Board is proposing a final dividend of 7.78p per share making a total dividend for the year of 11.38p which will be paid on 1 October 1993.

"Looking to the future, the Board sees many opportunities ahead for Hydro-Electric, both in building up our competitive position in the North of Scotland and in expanding elsewhere. Our new Combined Heat and Power Plant, being built in Dover with Arjo Wiggins Appleton, is due to start operation in 1994. In addition our joint venture Power Station at Keadby, South Humberside, where we have a 50/50 partnership with NORWEB plc, is proceeding to programme and within budget. Commercial operation is planned to start in January 1995. We will continue to concentrate on developing in areas where we have expertise and with careful attention to the control of risk. We are confident in our team and determined to deliver excellent performance."



Scottish Hydro-Electric plc.
REGISTERED OFFICE: 16 ROTHESAY TERRACE, EDINBURGH EH3 7SE

SCAPA GROUP PLC**Preliminary results for 12 months ended 31 March 1993**

Record sales at £347.3 million (£300.2 million)

Record pre tax profits £47.0 million (£44.7 million)

Increased earnings per share 13.8p (13.2p)

Final dividend increased by 5 per cent to 4.03p

Scrip dividend value enhanced by 50 per cent

The Group has produced another resilient performance

R W Goodall, Chairman

The Annual Report and details of the enhanced scrip dividend will be circulated to shareholders on 29 June 1993.
SCAPA GROUP PLC, Oakfield House, 93 Preston New Road, Blackburn, Lancashire BB2 6AT.



COMPANY NEWS: UK

Acquisitions boost Scapa

By Andrew Bolger

ACQUISITIONS helped Scapa Group, which supplies industrial textiles and services to the paper industry, increase annual pre-tax profits by 5 per cent from £44.6m to £47m.

The Blackburn-based group, which makes 86 per cent of its sales outside the UK, yesterday also announced a management succession and an enhanced scrip dividend scheme.

Mr Bill Goodall will step down in October after seven years as chairman, on reaching the group retirement age of 62. He will be succeeded as executive chairman by Mr Harry Tuley, 59, the present chief executive.

Mr David Dunn who has been finance director since 1987, will become group managing director, and a new finance director will be announced shortly.

Turnover rose by 16 per cent to £347m (£300m) in the year to March 31. Sterling's devaluation boosted the sales figure by £5m and profits by £500,000.

Scapa said trading conditions remained difficult for its industrial customers, but the group had managed to increase market share - particularly in engineered fabrics.

In engineered rolls, servicing and repair activities had grown at a time when the absence of new paper machines had reduced business available from machine builders.

The industrial materials division had shown strong progress, with the start of recovery in the filter fabric business and a good performance from wire-cloth for filter screening and industrial applications.

The companies providing technical adhesive tapes had grown substantially, both organically in the UK and by

acquisition in Europe. Mr Goodall said: "The strength of progress now being made endorses further the industrial materials division has the capability to play a much weightier part of Scapa's future development."

Earnings rose to 13.8p (13.2p). A final dividend of 4.05p raises the total to 5.53p (5.26p). However, shareholders can elect to take scrip to the value of 6.045p, an increase of 50 per cent over the final cash dividend.

For shareholders who want cash, BZW will buy the enhanced scrip at a minimum of 98 per cent of its value, equivalent to 5.524p. The retained cash and related advance corporation tax saving of up to £11.8m would be used to exploit profitable growth opportunities.

Mr Goodall said: "With any improvements in underlying economic conditions we can expect the group to do well and make faster progress."

COMMENT

These were a solid set of results to mark Mr Goodall's departure, and the management succession looks well-planned. Scapa is continuing to find it hard going in the paper industry, but by increasing market share has positioned itself well for any upturn. More interesting is the management's confidence that its investment in filtration and other industrial materials businesses is finally coming good, and offers scope for further acquisitions. Forecast pre-tax profits of £55m would put the shares, up 2p at 255p, on a prospective multiple of 14.5. That does not seem expensive for a group which last year earned 78 per cent of its profits from the UK and US.

600 Group hit by competition on prices

By Andrew Baxter

THE 600 Group reported a £1.26m operating loss for the year ended March 31, due to a further reduction in UK and European orders and "severely increased" price competition in several key market areas.

The manufacturer and distributor of machine tools and mechanical handling equipment said the deficit compared with a loss of £7.78m, restated to conform with FRS 3.

Turnover increased from £98.5m to £99.2m, although £4m was due to exchange rate movements. After lower interest costs of £1.5m (£2.1m), the pre-tax loss was £2.38m, compared with a restated £3.46m.

The final dividend is reduced from 1.5p to 1p, making a total for the year of 2p (2.5p). Losses per share fell from 6.8p to 5.9p.

Explaining the pay-out cut, Prof Michael Wright, chairman, said: "Although the group is in a sound financial position and we believe that we have encouraging prospects for the future, market conditions have continued to deteriorate."

Amid persistent recession in main markets, the reduced operating loss reflected the group's policy of reducing overheads and rationalising manufacturing capacity.

Prof Wright said a key objective was to ensure the group had the market position and financial resources to enable it to trade profitably through any future demand fluctuations or economic disturbances.

"This is being achieved by continued and detailed attention to cash flow, with the aim of substantially reducing borrowing."

In 1992-93 the group suffered a £3m non-recurring cash outflow on restructuring its lathe business, and a £2m VAT payment relating to the previous year's £9.3m sale of the surplus Colchester Lathe site.

In spite of this, net borrowings increased by only £2m to £29m, indicating the success of controls on working capital.

Freed to seek the rights for recovery

Andrew Taylor explains why Wimpey is making its first large share issue since 1963

GEORGE WIMPEY, having been released from the shackles imposed by its late founder Sir Godfrey Mitchell, has moved swiftly to raise the funds it urgently requires if it is to continue its recuperation.

The former west London stone mason which grew to dominate the UK construction industry in the 1950s and 1960s before falling on harder times, will use the cash to buy housing land and re-equip its UK and US quarrying businesses.

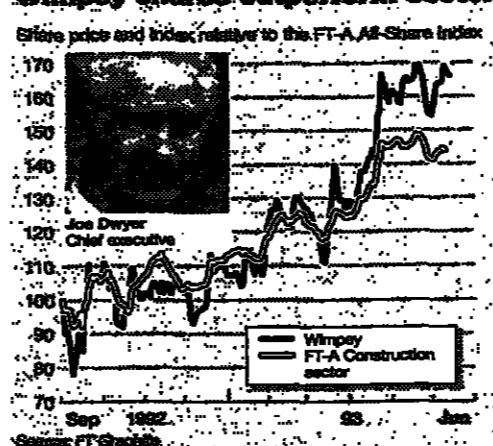
It is the largest but not the first housebuilder to make a cash call on shareholders this spring on the grounds that the housing market is at last recovering. Share issues have recently been announced by Berkeley Group and Bellway, among others.

Two years ago there was an even bigger spurt of rights issues as companies took advantage of the short-lived euphoria which followed the end of the Gulf war. Much of this money was used to repair badly damaged balance sheets rather than the expansion which was promised shareholders.

Wimpey has previously been discouraged from issuing shares by the existence of Grove Charity Management, established by Sir Godfrey in 1956, and which until March this year owned 34 per cent of Wimpey making it the company's largest shareholder.

Grove's charitable obligations would have made it very difficult for it to support a rights issue, particularly in a

Wimpey shares outperform sector



business which last year incurred a £112.4m pre-tax loss and cut dividend payments to shareholders to 5.25p compared with 10.6p in 1991.

The trust's sale 11 weeks ago of a 29 per cent stake raised more than £110m and freed the company to make its first large share issue since it was floated in 1963.

Only four times in the past 15 years has Wimpey exceeded the £27.2m pre-tax profit made in 1978. Last year's loss, after an exceptional provision of £112.8m, was the worst in the company's 110-year history.

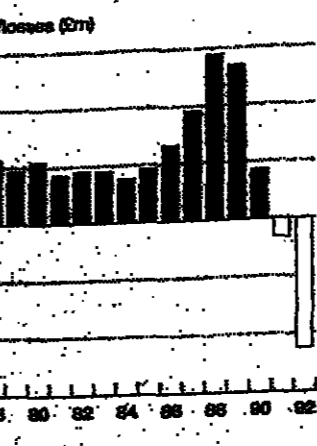
These figures, however, belie the improvement which has been made in the company's financial position. Net debt as a proportion of shareholders' funds has fallen from almost 60 per cent in 1991 to 30 per cent at the end of last year - the

lowest level of gearing for a decade.

The reduction in debt has been achieved largely through the disposal of commercial property and "peripheral" businesses which have raised more than £300m since Mr Joe Dwyer was promoted to chief executive in 1991.

The decision by Sir Clifford Chetwood, who previously combined the role of chairman and chief executive, to stand down permitted Mr Dwyer to take decisions which might have been more difficult for a long-standing chief executive faced with unwinding previous business decisions and personal loyalties to staff and colleagues.

The early decision to dispose of satellite businesses such as offshore engineering and waste disposal meant that the com-



pany was able to achieve better prices than if it had waited a further 18 months, by which time some of these industries were also flagging.

Tarmac has still to announce the sale of its waste disposal operations 20 months after Wimpey sold its waste business for £165m.

Wimpey, having refocused around the three core activities of housebuilding, construction and minerals, has now reached the point when it needs to raise more cash if it is to take advantage of a recovery in UK housebuilding.

Investment in new plant and equipment for UK and US quarries, delayed for at least two years while the balance sheet was repaired, also cannot be postponed much longer.

Further sales of UK commercial property investments and

housing land in the US would help pay for this but are unlikely, says Wimpey because of "the continued depressed conditions in these markets."

Dwyer says that Wimpey will be disappointed if it does not sell a minimum of 7,000 homes in the UK this year, compared with 5,600 in 1992. The company needs to increase its land holdings from 14,850 plots with planning permission to more than 20,000 plots if sales are to rise to 9,000 a year by the mid 1990s.

Proceeds from the rights issue will also be used to expand and modernise the group's quarrying operations in the US and UK. Mr Dwyer says demand for aggregates has shown signs of improving in eastern US while prices have begun to firm in the UK.

"The work we have done over the past two years means that we are excellently placed to take advantage of a recovery which I believe is underway. Land prices have bottomed and in one or two instances have started to rise. By next year we expect prices to be generally higher. Purchasing land now will enable the group to achieve attractive margins on sales next year and 1995," said Mr Dwyer.

His success may be judged more on how wisely he spends the proceeds from the company's first rights issue than on the success in reducing the company's borrowings. "The job is only half done," was the verdict from analysts yesterday as Wimpey shares slipped 3p to 184p.

Oxford Instruments advances 24% to £10.6m

By Paul Taylor

OXFORD INSTRUMENTS, the advanced instrumentation group, yesterday reported a 24 per cent increase in full year profits and another strong performance from its MRI scanner joint venture with Siemens.

Pre-tax profits in the year to March 28 increased to £10.6m (£8.56m), on turnover down 2 per cent to £101.1m (£103.3m). Interest income expanded from £367,000 to £1.1m.

Earnings per share increased

more modestly to 15p (14.7p), reflecting a return to "more normal" tax rates following the release of provisions last year. A proposed final dividend of 3.1p, makes a total for the year of 4.5p (4.3p).

Mr Peter Williams, chairman and chief executive, highlighted the "excellent performance" of Oxford Magnet Technology, the MRI scanner joint venture with Siemens.

OMT, which is 49 per cent owned by Oxford, contributed £5.05m (£5.1m) to group profits.

Operating profits from the group's core businesses improved by 11.8 per cent to £3.46m (£3.1m).

The group spent £7m on research and development last year and several important new products were released. Net cash at the year end stood at some £6.7m, up £2.4m.

Meanwhile the company is building a second synchrotron - a device that enables semiconductor manufacturers to pack more circuits onto micro-

chips than with conventional systems. Mr Williams said the company was confident of selling the machine, which has a price tag of about £25m (£18m).

COMMENT

The results from Oxford were better than the market expected and helped lift the share price by 14p to 261p. Although operating margins are still too thin, the group seems to be heading in the right direction once more following two years of profits decline. With 85 per

cent of business coming from outside the UK, the group should benefit from sterling's depreciation. Nevertheless there are uncertainties, including concerns about the body scanner market in the US, where health costs are under the microscope, and Oxford's expensive "gamble" on the Synchrotron. These make profit forecasts hazardous, but with the shares trading on a prospective p/e of about 15 they may still be worth a flutter.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's final results.

FUTURE DATES	
Interline-	
Deerhurst	Jul 8
London & Clydehead	Jun 15
Low & Bonar	Jul 12
Widney	Jun 28
Pleasts-	
STP	Jun 23
British Bio-Technology	Jun 28
Crillingham	Jun 28
European Motor	Jun 14
NSM	Jun 22
Norwood	Jun 24

COMPANY NEWS: UK

14% advance despite unregulated business losses

Northumbrian Water buoyed by price rises

By Angus Foster

NORTHUMBRIAN Water, the smallest of the 10 privatised water companies, yesterday announced a 14 per cent increase in profits helped by price increases and acquisitions.

But the company's unregulated business, seen as an important long-term profit source, suffered losses after interest costs and Mr David Cranston, chief executive, said the division's performance was "disappointing".

Pre-tax profits increased from £57.1m to £68.9m, including £9.3m from an investment in a hedged equity fund. At the interim stage, profits were 25 per cent higher at £39.2m.

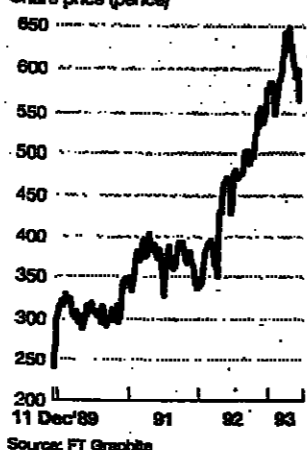
Turnover increased 24 per cent to £252.1m, of which £13.2m came from acquisitions after average price rises of 10.3 per cent.

Operating costs increased 23 per cent, leaving operating profits on continuing operations 22 per cent higher at £97.2m.

Capital expenditure increased from £122.5m to £135.4m while the company

Northumbrian Water

Share price (pence)



Source: FT Graphicals

Earnings increased 18 per cent to 100.7p per share. A recommended final dividend of 15p makes a total of 22.5p, an increase of 10 per cent.

The shares fell 7p to 563p.

COMMENT

Poor results from Northumbrian's unregulated business were not surprising, nor unique in the water sector; but the company has been touted in the past as small enough to generate meaningful non-core profits. Losses after interest costs last year, with more expected this year, should therefore be seen as quite a setback, if only temporary. More immediately, with water companies facing Ofwat's periodic review, Northumbrian has a better immunity to regulatory challenge than some of its competitors, although its assumed K factor of 7.2 per cent looks optimistic. This year's profits should be helped by income from a financial engineering investment and are forecast at £78m, putting the shares on a multiple of 5. With the whole sector out of favour, the shares are unlikely to gain much ground.

Cost reductions point way forward for Pilkington

By Maggie Urry

MR ROGER Levertton, who joined Pilkington as chief executive last summer, said there were some positive signs within the glass group's annual results despite the fall in pre-tax profits from £35.7m - restated from £77m to comply with FRS 3 - to £40.7m and the reduced dividend.

He said that for the first time cost reductions had more than offset inflation. During the year costs of £70m had been taken out while inflation had increased costs by £88m. Over the last three years annual costs of £170m had been cut, largely through job reductions.

Cash flow excluding disposals, but before dividends, was positive in the second half of the year for the first time since 1990, he said.

Capital expenditure had been reduced to £128m in the year, below the depreciation charge for the first time since the mid-1980s. Mr Levertton said it would stay at about the £125m level for the next couple of years. Working capital had also been cut, by £30m in the year and by £250m since 1990.

However, trading results from each of the group's divisions were lower, except for the rest of the world group which includes Argentina, Brazil and Australasia.

Operating profits from continuing businesses in European glass fell 29 per cent to £37.5m, while North American profits dropped 68 per cent to £3.5m. In both areas excess glass-making capacity had put pressure on prices. The rest of the world increased profits 80 per cent to £39m with Argentina making a record profit and the Australian business benefiting from cost cutting.

Visioncare, the spectacle and contact lens business, saw profits down from £20.9m to £15.8m, although within that was Sola spectacle side, which is soon to be sold, increased profits; contact lens profits fell from £5m to £2m.

Gearing at the year end was 78 per cent with net debt, including finance leases, of £982m (£760m). The Heywood Williams acquisition would take gearing to about 88 per cent, Mr Andrew Robb, finance director, said.

However, the sale of Sola was expected to be agreed soon, he said, and would be for a "good premium over book value of £120m". That would "make a substantial dent in gearing". More disposals over the next two years would bring gearing down further.

Pilkington is expected to reduce its stake in the Australian operations to 50 per cent and is likely to sell its contact lens business once profits there recover.

Martin Shelton shares up on 35% advance

Shares in Martin Shelton Group yesterday rose 17p to 53p after the USM-quoted company reported a 35 per cent rise in pre-tax profits from £302,000 to £407,000.

The company, which specialises in business calendars, diaries and gifts, increased turnover to £5.02m (£4.86m).

Mr Paul Martin, chairman, said record turnover in betting office supplies had made a significant contribution to group profits.

The final dividend is lifted 50 per cent to 1.5p, making a total of 2.25p (£1.75p) on earnings per share of 5.73p (£4.34p).

Lower interest costs lift Eldridge Pope

By Graham Deller

CONTINUED cost-cutting and a reduced interest burden helped Eldridge Pope, the Dorset-based brewer and wine shipper, lift interim profits to £203,000.

Mr Christopher Pope, chairman, said: "There is no room for complacency but progress in recovery is being maintained."

The shares, quoted on the USM, rose 8p to 101p.

The outcome for the half year to March 31 was struck after interest charges reduced to £917,000 (£1.17m) and compared with a loss last time of

£84,000, restated for FRS 3. Turnover improved to £20.5m (£20.2m).

Mr Pope said that sales of cask ales and food had been strong but spending elsewhere, particularly on amusement machines, was "restrained". Losses from the group's share of the Highcliffe Hotel in Bournemouth were reduced from £250,000 to £156,000.

An encouraging start to the second half saw profits in April marginally ahead of budget; costs remained under tight control, Mr Pope said.

The interim dividend is 1.4p (£1.31p), uncovered by earnings of 0.86p (0.4p restated losses).

Staveley rises 9% despite fall in margins

By Richard Gourley

STAVELEY, the measuring and mechanical engineering company which also owns British Salt, reported a 9 per cent increase in pre-tax profits last year but a deterioration in trading and operating margins.

The mechanical and electrical services division suffered from depressed conditions in the construction industry. But measurement, which makes weighing machinery, and minerals, which produces more than half the UK's salt, both increased profits.

Pre-tax profits rose from £22.4m to £24.4m on sales up 15.6 per cent at £344.9m. Underlying organic sales growth was 10 per cent - the balance arising from an acquisition and the effect of translating foreign currency sales.

Earnings per share rose from 15.1p to 16.1p and the group is to pay a final dividend of 6.2p, giving 8.5p in total, up 3.7 per cent.

Measurement produced operating profits of £8.4m (£8.1m) from sales of £153m. Mr Brian Kent, chairman, said margins should be double this year. Growth in this division would come from the introduction of new products.

Profits from mechanical and electrical services fell to £4.4m (£5.6m) on sales up 18 per cent at £182.9m. Mr Kent said the fall in the construction industry had bottomed out and there was recovery potential from a stronger order book.

Minerals produced operating profits of £12.2m (£11.8m) on sales of £32.9m despite price controls.

Gearing rose from 11 per cent to 22 per cent with net debt up from £11m to £20m, partly as a result of translating dollar denominated debt after sterling left the ERM.

Capital expenditure was lifted by a £4m investment in plant to help expand sales of salt products.

Protean rides recession with £4.1m

Protean, the laboratory equipment and water purification company, announced doubled profits of £4.1m for the 12 months to March 31.

The dividend for the year is increased by 31 per cent to 3.6p via a final of 2.7p; the share price added 8p to 168p.

Mr Peter Ryan, chairman, said the results were achieved against the background of the UK recession and intense competition in most markets.

The contribution from the Carbollite companies and Aquadem, acquired towards the end of the previous year, helped sales rise 48 per cent to £33.6m (£22.7m).

Turnover outside of the UK and the Irish Republic accounted for 43 per cent of the total.

Earnings per share rose 28 per cent to 10.6p (£8.29p).

Mr Ryan said that during the year DA Baldwin and Epsom Glass were acquired and further opportunities would be sought.

The current year had started with healthy order books.

NEWS DIGEST

£998,000 (£524,000) was achieved after an exceptional charge of £250,000 (£42,000).

Earnings rose to 7.31p (£3.82p) per share and the proposed final dividend is increased to 1.17p for a 1.87p (£1.45p) total.

Mr Paul Norman, chairman, said the board had considered various options to develop the company and it intended to expand into the housing market.

GWR improves 25% to £317,000

GWR Group, the independent radio contractor, raised pre-tax profits by 25 per cent from £254,000 to £317,000 in the six months to March 31. The outcome was achieved on turnover up from £2.46m to £4.08m.

Earnings per share rose 19 per cent to 6.8p and the interim dividend is raised to 4p (3p).

Moorgate Smaller net assets improve

Moorgate Smaller Companies Income Trust lifted net asset value from 112.01p to 125.29p per share over the 12 months to April 30.

The trust, which in February raised a net £24.3m from a placing and offer of new shares, reported attributable revenue of £2.15m, down from £2.33m for earnings of 4.41p (4.81p) per share.

A proposed final of 2.46p

brings the total for the year to 4.28p (4.125p).

Penna back in the black with £1.94m

Penna, the USM-quoted holding company for the Sanders & Sidney outplacement consultancy, returned to profits in the year to March 31.

Turnover of £10.8m (£7.7m) the pre-tax line emerged at £1.94m against losses last time of £94.43p.

Earnings per share were 28.4p (losses of 1.6p) while the final dividend is 7p (1p) making 10p (2p) for the year.

Dares Estates cuts losses to £22.3m

Dares Estates, the property investment and development group, is continuing talks with its UK lenders and the board hopes that it is near agreement.

The proposals involve the conversion of £9.7m into preference shares, some of which will be convertible into ordinary shares, subordination of £3m debt and the extension of the maturity of residual debt until December 31 1997.

Other provisions cover permission to pay interest by the issue of preference shares and the conversion of existing preference shares into ordinary shares.

For the 1992 year, which saw

pre-tax losses cut from £28.5m to £22.3m, the accounts have been prepared on a going concern basis, subject to the capital reorganisation being agreed.

The fall was helped by lower interest costs and exceptional charges. Exceptionals came to £14.8m (£17.8m) of which £11.4m related to provisions for the fall in value of assets. Interest costs were £10.4m (£12.2m).

Turnover was £5.53m (£17.4m) made up of rental income of £5.44m (£7.6m) and other income down from £9.78m to £90,000. Losses per share were 13.53p (£15.78p).

Losses deepen to £2.98m at Welpac

Welpac, the hardware and electrical goods wholesaler, reported a pre-tax deficit of £2.98m on turnover of £17.1m in the year to January 31.

That compared with a loss of £994,000 from sales of £9.72m for 1992, restated to comply with FRS 3.

Mr Gerald Lavender, chairman, said the 76 per cent increase in turnover reflected the acquisition of Anderson & Firmin and TJ Harwood. The profits fall was the result of one-off exceptional costs and weak demand.

Losses per share increased to 11.2p (4.1p). There is no dividend (last year a single final dividend of 0.2p was paid).

THE PROPERTY MARKET

Rights issues retain appeal

The property rights-issue bandwagon seems unstoppable. When Great Portland Estates issued a £85m rights issue this week, it pushed the total amount of property funds raised in the equity market to over £900m.

Analysts believe that a continuing stream of issues, which may increasingly come from smaller companies, will take the total raised to well over £1bn.

So far, the equity market shows no sign of indigestion: share prices have gone up when companies have asked investors for money.

At first sight, investors' enthusiasm appears remarkable. Why are they prepared to hand over large sums of money, with few strings attached, to managements which rarely have strong track records, with little prospect of dividend increases for many years?

Indeed, in the case of Great Portland the rights issue was accompanied by a promise of a dividend cut for 1994.

The explanation is two-fold. First, the huge increase in property share prices over the past nine months means that many property shares are no longer trading at a discount to assets, which over the long term has averaged more than 25 per cent.

The erosion of this discount means that companies can issue shares without diluting their assets. "Historically speaking, there have been very few opportunities for companies to issue equity at around the asset value and some may not wish to miss the current window of opportunity," says James Capel, a broker.

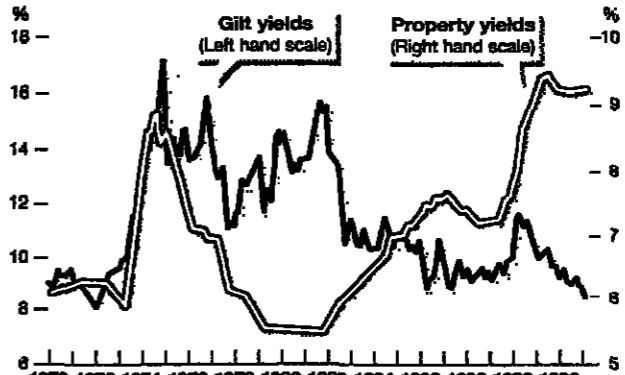
Second, many investors believe that asset values are set to rise. Rather than force cash-strapped companies to sell properties to reduce their borrowings, fund managers would prefer to give companies the cash to go bargain-bunting.

By converting corporate sellers to buyers, the injection of new equity into the corporate sector is having a large impact on the property market. It may have another knock-on effect: by transforming companies' ability to issue bonds.

Mr Hugh Corbett, of UBS, the broker, believes that the

Vanessa Houlder explains why the equity market shows no signs of indigestion

Average property yields and 20 year gilt yields



Source: UBS

current state of rights issues is paying the way for a wave of bond issues. He expects £500m-£1bn of debentures and long-dated bonds to be issued in coming months. "It is like the equity market, the opportunity is there," he says. "They [the property companies] will grab it when they can."

He argues that there is a strong market for property bonds. "By historic standards, there is a lot of demand for good quality, long-dated bonds from institutions," he says.

The injections of new funds into the property sector, which have repaired companies or balance sheets, together with the brighter prospects for asset values, have removed the main constraint on issuing bonds.

The main arguments cited by UBS in favour of issuing debentures now are:

● The relationship between the yields available from property and long gilt yields has never been closer. "As a result, it is now theoretically possible to raise long-dated debenture finance at a rate cheaper than the average yield from property," according to UBS.

● Companies which delay may not be able to invest at such attractive yields or borrow as cheaply. UBS expects property investment yields to fall by about 0.5 per cent a year for the next three years, while 25-year gilt yields rise to 8.7 per cent by the end of 1993 and 9.3 per cent by the year after.

Conversely, the factors discouraging companies from issuing debentures are:

● The steep slope of the sterling yield curve means it is currently cheaper to borrow short term rather than long term.

● Concern about gearing levels and the possibility that asset values still have further to fall.

● There may be difficulties in issuing unsecured property debt. Downgrades from the credit rating agencies have limited the pool of potential investors in short-dated issues.

Looking ahead, there may be other obstacles facing the debenture market. Investors in debentures are attracted by the security of property income, which is underpinned by the 25 year property lease, with its upwards-only rent reviews.

Investors are getting nervous about the erosion of the UK institutional lease and forthcoming changes to privity of contract, the law which holds an original tenant responsible for paying rent if a subsequent tenant defaults in the course of the lease.

They are concerned that the government plans to change privity of contract in a way that will reduce the tenant's obligations and reduce the security of income associated with a property.

"Any change in this area will seriously prejudice such

sources of finance," according to Barclays de Zoete Wedd Gilts. "It would not be going too far to state that the very existence of the long-term debenture market arises out of the combination of long lease structures and the insurance and comfort engendered by privity of contract."

The uncertain future of the property debenture market gives limited encouragement to banks concerned about the excessive level of debt outstanding to the property industry.

Debentures and bonds were promoted as one of the options for refinancing the property industry by Mr Pen Kent, an associate director of the Bank of England, when he addressed the Association of Property Bankers last week.

Mr Kent's comments about "the dearth of obvious solutions for future financing" underlined the scale of the problem facing the property industry. The £37bn debt of the property industry is more than three times, in real terms, its level in 1974.

"Neither will recovery be boosted by a surge in inflation as it was in the 1970s; nor probably by large-scale investment by institutional investors, whose enthusiasm for property has waned significantly," he added.

The problem for many lenders to the property industry is that the recent revival in interest from investors is focused on a relatively narrow band of property, with financially-secure tenants on lengthy, secure leases.

But much of the debt over-hanging the property industry relates to empty buildings or those with unreliable tenants, which at present cannot find investors in any shape or form. Ultimately, a broadly-based recovery in the property market will depend on the recovery in the economy as a whole.

CORRECTION

Property consultant

As a result of a production error, last week's property column by Charles Gordon inaccurately described Mr Edward Erdman as a retailer. He is a consultant to Erdman Lewis, a firm of property advisers.

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RECRUITMENT

JOBS: Although survey shows the work ethic is strong in Britain, certain questions remain unasked

A nation of employment addicts

FOR the Archangel Gabriel's sake, let's hope that the Almighty has a good sense of humour. If not, it is odds on that the two-way communicator between heaven and earth has been demoted or worse as a result of arriving on high with a survey report just published here below by a consortium of British employers and like interests.

The study's subject is work which, except for a spot of light gardening, had no part in the original plans for human kind. It was inflicted on us, as the Old Testament makes plain, as a penalty for our first forebears' sinful lust for apples. That's why it is called "Adam's curse".

So heaven will hardly rejoice to learn that, far from looking on work as the punishment it was intended to be, the Brits at least are leaping around chortling: "I like it! I like it!"

The study of 3,458 job-holders of all levels included a question asked in surveys before. It was: *If you were to get enough money to live as comfortably as you would like for the rest of your life, would you continue to work, not necessarily in your present job, or would you stop working?*

When it was put to the public in 1977, no fewer than 60 per cent

answered yes. Since then, despite the bitter recession, the number who are hooked on employment has risen to 67 per cent.

To make matters worse, their liking for it apparently grows as it becomes harder. Not only did over three in every five of the latest lot happily report that the effort demanded from them had increased in the past five years, but 68 per cent claimed to be putting in still more effort than their bosses required.

Besides hard graft, they are also having to invest more skill. True, nearly one in 10 admitted that the technical demands of their work had diminished over the last half decade, but another 63 per cent said they were being called on to exercise greater skill.

The most marked increase in need for same was reported by those in jobs involving frequent dealings with other people, such as professional staff, managers, supervisors and the like. All reported more pressure on them to communicate persuasively, and be sensitive to the wants of customers and colleagues alike.

In return for their added inputs, most workers at all levels were being given a stronger say over what they should do and how they did it, and allowed to be innovative in their approach. The only cloud in the office was that two thirds felt that their bosses didn't give them enough say over how their work was organised - a grumble seemingly linked with a majority view that, whatever their addiction to employment, they certainly weren't dependent on their present employer and could well trip off elsewhere when conditions improved.

But, while that cloud might make the report unwelcome in boardrooms as well as heaven, the findings must come as manna to a beleaguered government. For they suggest that, on a national plane, the work ethic is not just alive and well in Britain, but stronger than ever before.

Even so, to the Jobs column's mind, the 3,458 people's answers may be less crucial than certain questions they appear not to have been asked. For example, how much of the employment they

found so addictive consisted of productive work?

It is clear that the two aren't just the same thing. As countless housewives still demonstrate, it is possible to do productive work without being employed. Equally, no one need look far for evidence that it's possible to be employed without achieving any productive work. Nor is there any doubt on which of the two Britain's future prosperity depends.

But even if there were, the present addiction to employment

seems scarcely healthy. For the survey shows that the mounting demands for skill and effort have been accompanied by worsening experience of stress.

And in terms of material rewards at least, Adam's curse has not merely been maintained, but is falling more and more on Eve as well. Whereas in 1984, 30 per cent of women job-holders explained that their earnings were essential to keep their family from bankruptcy, the same is now said by 40 per cent.

FINALLY, to the underlying table which as on previous occasions is compiled from the latest of the Wyatt management consultancy's surveys of senior managers' pay and perks in 17 European countries. Anyone who wants full information on the findings, which were outlined in this corner of the FT four weeks ago, should contact Don McClune of the consultancy at 21 Tothill St, London SW1H 9LL: telephone (071-222 8083, fax (071-222-9182. Today's table is limited to 10

of the countries, and gives a broad idea of how each of them views the relative status of the various departments of business as measured by the money value employers put on their directors. The basis of the ranking is the typical gross pay received in cash - basic salary plus bonuses and so on - of a chief executive in the country in question, a figure which is indicated at the top in *italic type*. The departmental directors are then listed below, their order of appearance being decided by their typical gross pay expressed as a percentage of the chief executive's rewards.

Michael Dixon

HOW DEPARTMENTAL DIRECTORS' PECKING-ORDERS DIFFER BETWEEN COUNTRIES										
	United Kingdom	Switzerland	Germany	Italy	France	Netherlands	Belgium	Denmark	Spain	Ireland
Typical gross pay of chief executives	£26,770	£140,108	£143,712	£105,355	£109,831	£101,727	£107,968	£104,516	£99,593	£75,672
Executive directors ranked by their typical pay as a percentage of chief executives										
Production	76	Fin 75	R&D 70	Fin 73	Fin 74	Sales 72	Fin 74	Fin 78	Fin 73	Pers 72
Finance	76	Mats 73	Fin 66	Pdcon 73	R&D 74	Fin 70	Pdcon 71	Pers 69	Pdcon 71	Pers 70
R & D	76	Pdcon 73	Pdcon 66	Eng 66	Pers 71	Eng 66	Pdcon 70	Sales 65	Eng 67	Pdcon 70
D-P	73	Eng 72	Sales 66	Pers 66	Eng 70	Pdcon 66	Mats 66	Eng 64	Mktg 66	Eng 67
Marketing	69	D-P 69	Eng 66	Sales 66	Mats 66	R&D 66	Pers 63	Mktg 63	Pers 66	Sales 66
Sales	68	Sales 69	Mats 65	Mktg 64	Pdcon 66	D-P 62	R&D 65	Mktg 63	Pers 66	Sales 66
Materials	65	R&D 67	Pers 59	R&D 61	Sales 68	Mktg 60	Pers 63	Pdcon 60	Mats 64	Mktg 63
Engineering	64	Mktg 65	D-P 57	Mats 55	Mktg 63	Pers 59	Sales 63	Mats 58	D-P 59	D-P 53
Personnel	64	Pers 65	Mktg 57	D-P 48	D-P 59	Mats 58	Mktg 61			

Source: Top Management Remuneration, Wyatt Data Services. Price £500.

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- At least two years banking experience analysing capital markets and/or tax based products eg. deep discounted bonds, qualifying index securities and leasing.
- Superb computer literacy - programming skills are essential.
- Excellent communication ability.
- A genuine team player who relishes the smaller company environment.

The role will involve feasibility studies leading to complex modelling and the presentation of ideas both internally and externally to major city institutions.

Prospects within this expanding team are excellent.

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General Manager - Ukraine

With total assets of over US\$2 billion, achieved through the growth of established businesses and the development of new international operations, our client continues to add substantial value to shareholders' investments. This dynamic and fast growing business is one of the largest franchise-partners of a worldwide leading consumer product company and is responsible for the production, marketing and sales operations.

An immediate requirement has arisen for an able and experienced individual, based in Kiev, to assume overall responsibility for developing the business in the Ukraine.

Reporting to the Central East Europe Headquarters based in Austria, the General Manager will be tasked with setting up the sales and distribution network of the company.

Responsibilities will include:

- controlling production supply via a joint venture partner;

- communicating and liaising with local authorities;
- identifying wholesale distributors within the region;
- setting up further production facilities in the Ukraine;
- managing the growth and development of the Ukraine business.

Ideally of Ukrainian origin, the successful candidate should be a graduate with consumer products experience, particularly in sales and marketing. This experience will be within both fully developed markets and emerging Eastern European countries (preferably Ukraine).

Essential attributes for this outstanding career opportunity are excellent interpersonal skills, commercial flair, resourcefulness and a high degree of self-motivation as well as an effective management style.

The attractive remuneration package includes a highly competitive base salary, performance-related bonus, executive car and local housing.

Interested applicants should write, enclosing a detailed CV in English, to our Consultant Claudia Daubner at the address below, quoting reference number 22.329.

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FINANCIAL TIMES
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Our client is an international investment firm with offices in New York, Bahrain and London. With a capital base of some \$323 million, the organisation employs 80 professionals and 180 staff in total, and acts as principal in making high quality investments, throughout Europe and North America. The corporate investment team analyses, advises on and makes corporate acquisitions/investments of quality companies operating in high growth markets. Transaction size would normally be in the range between \$150 and \$500 million. We are looking for two young professionals of the highest calibre, to become integral members of the corporate investment team. It is most likely that the individuals will have experience of analysing and structuring acquisitions, buyouts and financing arrangements.

THE ROLE

The incumbents will broadly be responsible for contributing to all stages of the investment process. This will include involvement in:

- investment analysis
- industry and competitor analysis
- financial modelling
- due diligence
- report writing
- structuring, negotiating and directing transactions
- liaising with and directing professional advisers
- monitoring the investment portfolio

CANDIDATE PROFILE

- ACA or MBA from a leading European or US business school
- two years exposure to international investment banking or strategic consultancy
- experience of acquisitions or buyouts, either as adviser or principal
- UK or European national aged 26-28
- articulate communicator with strong writing and analytical skills
- strong financial analysis and modelling skills
- confident and assertive personality
- European languages would be an advantage

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A substantial remuneration package will comprise a base salary, bonuses, housing allowance, and participation in stock plans and a co-investment scheme.

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For further information contact CHRIS LAWLESS or TIM CLARKE
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SCOTTISH WIDOWS

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Latin American Equities
Edinburgh

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For a confidential discussion, telephone or write with CV to:
Iain Witter or Peter Brown,
ASA International Ltd.,
63 George Street, Edinburgh EH2 2JG,
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Interviews will be held in London and Scotland.

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This position demands the skills of either a German National or bilingual German speaker who is thoroughly conversant with both the domestic and international client base and full product spectrum. Five years market experience combined with good cash market expertise are desired. The successful candidate will demonstrate a proven combination of leadership, managerial, sales, motivational and strategic development skills.

Our client has a total commitment to the further development of DTB access for its international customer base, as well as refining worldwide access to exchange traded products for its domestic German clients.

There exists considerable further scope for career development and expansion for the candidate who successfully fulfils the above brief.

Interested individuals with the relevant skills should contact
Oliver Wells on 071-936 2857, Fax 071-583 6531 or write enclosing a full Curriculum Vitae to:
Michelangelo Associates, 36 Whitefriars Street, London EC4Y 8BH (Rec. Cons.).

Closing date: 31st June 1993.

INVESTMENT ADMINISTRATOR

Opportunity to manage the administration function for the newly established London investment office of a major international insurance group.

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To be a candidate, you must have at least five years' relevant experience with a major merchant or investment bank or international investment manager. You will have a good knowledge of securities markets in Europe and the Far East and of dealings in cash deposits and spot and forward foreign exchange.

The company has a commitment to the training and development of its staff. A competitive salary and benefits package will be attractive to candidates of the required calibre.

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Excellent communication skills are essential. You will also need to demonstrate:

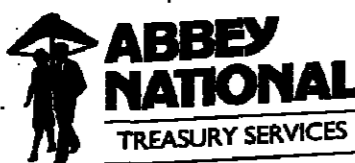
- a degree-level education with a strong mathematical/statistical content.
- familiarity with treasury/capital market products.
- computer literacy in the modelling of data and specification of financial systems.
- at least two years (five years for the manager's role) in a financial services company.
- at least one year's risk analysis or equivalent relevant experience. (A minimum of three years for the manager's post.)

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Applicants should apply in confidence giving their career details to: Orla Kelly, Human Resources Manager, Meridian VAT Processing (International) Ltd., Tallaght Business Park, Tallaght, Dublin 24. Closing date for receipt of applications will be Friday 18th June, 1993.

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If you are interested please send your CV to Neil Sampson, Senior Consultant, Townsend Knight Consulting Ltd., Knightway House, 20 Soho Square, London W1A 1DS. Confidentiality is guaranteed. Please quote ref: 431/NS/93

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Imperial Cancer Research Technology Ltd Business Development Manager

London WC2

Imperial Cancer Research Technology Ltd (ICRT) is a wholly owned subsidiary of the Imperial Cancer Research Fund (ICRF). ICRF is the largest independent cancer research institute in Europe. It supports a broad spectrum of activities ranging from fundamental laboratory work through to applied and near market clinical research. These activities generate valuable intellectual property directly applicable to the diagnosis and treatment of cancer.

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For further details, contact: Dr M Crumpton, Director of Research Laboratories, Imperial Cancer Research Fund, PO Box 123, Lincoln's Inn Fields, London WC2A 3PX. Closing date 28th June 1993.

SMOKING IS ACTIVELY DISCOURAGED.



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Game set matched for audit negligence

Andrew Jack reports on a mock trial which provides important training for observers and participants

MR Garth Tweedale, looking haggard and alone, leaned against the wall for comfort and lit another cigarette. It was his third in succession during the short morning break, before he had to head back into court for cross-examination. He was looking forward to the end of his ordeal at lunchtime.

His job was to justify his expert's report, which was a damning indictment of the work of accountants Bowles, Marsh and Wegerle in failing to pick up evidence of fraud at one of its audit clients, Low Ball.

Bowles had failed to detect fraud during its audit of Low Ball's Italian subsidiary, which was conducted under tight time and budget pressures imposed by the firm's Atlanta office - tampering more than one observer to wonder whether the names of the client and the accountant might just as well have been reversed.

But it was a rather unorthodox court to which Mr Tweedale returned. While in many civil cases the stacks of paperwork easily outnumber the people, this room was full. There was a strictly obeyed timetable, which pushed the entire case through in a single day. The verdict was determined by a show of hands. There was even tea and coffee on tap just behind a partition at the back.

In fact, this was a mock trial, held at the Law Society's offices in London last week, located very near to the real law courts but at a safe enough distance to allow for a little more experimentation and error.

Mr Michael Kallipetis, QC, played the judge, and two more junior barristers from 2 Crown Office Row were the

counsel for plaintiff and defendant. Mr Garth Tweedale and Mr Francis Small, both from Ernst & Young, played the expert witnesses on the two sides.

Most of the other names of individuals and companies mentioned during the day were fictitious: Bowles' audit partner was Dave Fendant, Low Ball's finance director was Brad Boondoggie and Globlo, the company's Italian subsidiary, was headed by Giovanni Mafioso.

But there was a serious point behind the game. The problem is that audit negligence cases rarely get as far as court, settling - normally without publicity, details or admission of guilt - on the steps or before. That might be cheaper and less time-consuming for all those involved, but it also causes problems.

Certainly, it means there is little case law or precedent to guide others on accounting and auditing issues in the future. But there is also an intriguing logistical snag: it is difficult for expert witnesses and their forensic teams from accountancy firms to gain experience of the ultimate scrutiny of barristers and judges.

Mr Robert Hughes, head of Ernst & Young's litigation support unit, explains that the mock trial provides important training - both for observers and participants. It is also a rare chance for lawyers to see members of his department - not to mention barristers - working under court conditions, so they can assess whether they would hire them on a real case.

As a result, the 40-strong audience was divided between accountants in

training and solicitors at least partly talent-searching. All no doubt also took a little sadistic satisfaction in watching the unfolding events.

The day was the culmination of several weeks' work to exchange written statements of claim and experts' reports compiled from specially prepared material. The morning was set aside for cross-examination of the plaintiff's expert witness, and

'Regardless of the strength of the evidence, the mood in court can suddenly change and the case turn to shreds in your hands'

the afternoon for that of the defendant.

Those watching had to flick frequently back and forth through several inches of documents, following a rambling flow as different documents and assertions were compared.

Several previous trial runs of the case in the past had allowed for careful tweaking to try to ensure that the material was balanced and did not automatically point to a victory for one side or the other. The skill of the experts' reports and the barristers was vital.

It was a case riddled with nuances: Bowles used an Italian associate firm and to save costs - able but very junior staff. There were difficulties over language and differing national auditing and accounting standards.

What distinction should be drawn between a review and a full audit from London? Were there enough signs of fraud at the time or was the criticism only justified with the benefit of hindsight?

But aside from the facts, the fickle psychology of the courtroom was stressed by Mr Kallipetis. "Regardless of the strength of the evidence, the mood can suddenly change and the case turn to shreds in your hands," he said. "It may be unjust but it is human nature."

Indeed, he lamented the growing trend for exchange of witness statements in advance, which has cut down on the level of examination which takes place in court.

Kallipetis would take over the cross-examination from time to time, picking up on a point that had not been satisfactorily answered and which showed the expert's report or views in a bad light.

He would tenaciously persist as the expert squirmed with a "yes, but" or "on the whole, perhaps" response while growing increasingly frustrated as the question was honed more precisely until Kallipetis got his very simple if unfair "no", at which point he would abruptly stop the examination with a curt "thank you" (case destroyed).

He would also personalise everything, demanding the expert to speculate when it suited, but rejecting speculation in the report or in answers when it did not. Tweedale argued that failure from the Italian associate auditors to meet deadlines should have raised concerns from the British firm. "Have you ever been late on a dead-

line? Does that make you incompetent?" probed Kallipetis.

Tweedale suggested concerns over quality because of the low audit fee. "If my learned friend did this case for nothing would you question the adequacy of his work?" Kallipetis asked mischievously. "And I might be tempted to ask about your fee, Mr Tweedale!"

Afterwards, Tweedale said one of the most important lessons for him was remembering to study the statement of claim on the legal action rather than simply the experts' report.

Another, related, point was the importance of ensuring that every single assertion could be justified individually, rather than simply the impression given by a series of factors which overall suggested negligence or cause for concern.

One point which also emerged was the difficulty in building a case around current auditing guidelines, to which both expert witnesses frequently referred in their reports. "I suggest you are being selective in your use of the guidelines," said one barrister. "They really say 'how long is a piece of string, don't they?'"

Kallipetis had a final word for prospective expert witnesses. "Try not to be partisan," he said. "It is a very difficult line. There are times you wake up at night and think 'did I do the right thing?' Just ask yourself 'what would I have done, what would a competent accountant have done?'"

And the verdict? At least among a democratic consensus from lawyers and accountants, it was bad news for Bowles the auditor.

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Bonus

HOLLAND

Our Client, a subsidiary of a highly profitable UK listed group, a world leader within this specialist Service Sector is looking to strengthen the management team for its Dutch operation.

The finance department is key to the successful management planning, direction, growth and profitability of the business.

An exciting opportunity has arisen for a young, commercial, business-orientated accountant to take full responsibility for the finance and accounting function.

Reporting to the Managing Director based in Holland and with functional responsibility to the UK, the role covers all aspects of the business, it's operations, products and markets, key areas will include: all management and financial reporting, financial analysis, business appraisal and information systems development.

Aged 27-35, the successful individual will be a qualified accountant with fluent Dutch and at least 2-3 years post-qualification experience gained from either the profession or industry.

Strong communication skills, a commitment to succeed and a hands-on management approach are essential.

Success in this appointment will lead to wide opportunities for accelerated career development within the Group.

For further information please contact our consultant **Sharmila Sharon Parekh** at Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN, or call her on 071-387 5400 (the evenings 081-363 0474). Fax: 071-388 0857.



LIVERPOOL

Littlewoods
ORGANISATION PLC

TO £50,000 + CAR

The Littlewoods Organisation plc is one of Europe's leading and most diverse retailing operations. In 1992, Group turnover of £2.7 billion was generated from retail stores, home shopping, financial services and football competition promotions. Operational improvements have sustained profitability in a difficult economic climate.

Reporting to the Group Finance Director, your brief is to ensure that an effective internal audit service is provided within each of five operating businesses. Functionally responsible for 22 staff, a key task will be to enhance the stature and reputation of these teams by delivering demonstrable benefits to management.

A qualified accountant, probably in the age range 35-45, you will preferably have developed your skills at a senior level within the internal audit function of a volume transaction business. A proclivity

knowledge of control procedures and review techniques is essential. You will possess well developed communication skills and diplomacy and aspire to the senior financial management opportunities that the Littlewoods Organisation provides.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Peter Jones, Coopers & Lybrand Executive Resourcing Ltd, Abacus Court, 6 Minshull Street, Manchester M1 3ED, quoting reference P252 on both envelope and letter.

Coopers & Lybrand

c. £75,000 + bonus
+ benefits

Major European Bank

City

Head of Finance and Operations

New position for an experienced manager to integrate a support infrastructure of finance, operations and IT into a smooth-running, efficient unit. The bank is one of the world's top fifty, the most prestigious financial institution in its own domestic market, and has a successful business in London with market leadership in niche product areas. This is a critical role in a bank that has sustained rapid growth and wishes to consolidate its position.

- Direct the finance, operations and IT functions, setting out a clear strategic vision for consolidation and the achievement of business efficiency. Reports to Deputy General Manager.
- Manage three direct reports and a team of sixty staff integrating the different units into a cohesive effort.
- Implement tight controls to maintain operational efficiency supervising the bedding in of new systems and integrating the front and back office.
- High calibre graduate with ACA or CIMA qualification and a minimum of ten years working in a major financial institution including financial control, operations and systems.
- Proven business maturity and sound commercial judgement. Diverse product knowledge, especially derivatives. Astute manager of people capable of driving through strategic change.
- Effective communicator with stature and presence. Resilient, tenacious and capable of making tough decisions. A leader by example.

London 071 973 0889
Manchester 061 499 1700**Selector Europe**
Spencer StuartPlease reply with full details to:
Selector Europe, Ref. FT130624,
16 Connaught Place,
London W2 2EDc. £80,000 package
+ benefits

Financial Services

Central London

Chief Financial Officer

Commercially orientated finance professional sought to work closely with the CEO in driving through an ambitious 5 year growth strategy. Recent successful product launches make this one of the fastest growing players in the global financial information market, part of a major \$3 billion turnover US Group. A highly strategic and commercial role with real opportunity to influence performance and direction of a dynamic, international business. Excellent career prospects worldwide.

- Responsible to the Chief Executive - Europe for ensuring the finance function supports the needs of the business, optimising MIS and financial management disciplines across Europe.
- Manage a finance team of 12 plus functional reports from operating entities. Provide effective financial control and reporting systems, including US GAAP and local tax and treasury.
- Key member of the strategic management team, providing finance input to the budgeting and planning process; identifying and evaluating potential acquisitions.
- Graduate, ACA/ACMA, 30 plus, with proven European experience and successful track record in a multi-site, preferably US owned international business. Fluency in French or German desirable.
- Well developed skills in financial analysis and modelling with experience of developing and implementing MIS in an environment of change. Financial services background not essential.
- Positive, enthusiastic team player with the toughness and maturity to gain respect, both at US parent level and across the European businesses. Good people manager, able to prioritise and delegate effectively.

London 071 973 8484
Manchester 061 499 1700**Selector Europe**
Spencer StuartPlease reply with full details to:
Selector Europe, Ref. FT130624,
16 Connaught Place,
London W2 2ED**Price Waterhouse**

EXECUTIVE SEARCH & SELECTION

Group Management Accountant

Major well established Publishing Group

c.£45,000 + car + benefits London

This major international publishing group operates in the United Kingdom, United States and Europe. Publishing activities include a number of well known titles and brands and recent operating results show a healthy increase in pre-tax profit and EPS.

Promotion of the existing incumbent means that a Group Management Accountant is sought to work alongside senior management and to be a key contributor to the organisation.

Major responsibilities will include:

- Preparation and analysis of monthly group management accounts
- Review of group cash and working capital flows
- Preparation and analysis of the

group profit forecasts and annual group budget performance statistics and projections

- A substantial number of one-off assignments for senior management.

To fulfil the requirements of this role, you will need:

- A formal accounting qualification (preferably Chartered)
- At least five years post-qualification experience, preferably gained in an organisation with diverse locations and tight reporting deadlines
- Experience of financial and management reporting with the ability to identify key issues and to present the information in an effective way

- Experience of consolidations and budgeting and forecasting procedures

- A confident and calm communicating style and demonstrable credibility with senior management.

This position offers the opportunity to join a major, established successful and profitable group and to be a key contributor to its future success.

Please write, enclosing a full CV, to our advising consultant Heather Thomas quoting reference E/1366. Executive Search & Selection Price Waterhouse Milton Gate 1 Moor Lane London EC2Y 9PB Tel. 071-939 6341

Acquisitive Group Financial Accountant

c£35,000 + Bonus + Benefits

M3 Corridor

Our client is a fast growing PLC which has made significant acquisitions in the last 12 months. Operating throughout Europe, the principal activities of the Group are the sales, marketing and distribution of high specification engineering products of US and European manufacturers.

Working for the Group Finance Director, and liaising directly with the operating Board and advisers, responsibilities include M & A investigations, "bedding in" acquisitions and preparing financial reports and forecasts.

Candidates will be chartered accountants with good academic qualifications. Experience of aspects of M & A gained in a commercial environment is essential. Drive, initiative, excellent communication skills and awareness of emerging accounting practice will assure a place on the shortlist.

Applicants should send a comprehensive CV, quoting reference number 32472/45, to:

Jonathan Wilkinson
Pannell Kerr Forster Associates
New Garden House
78 Hutton Garden, London EC1N 8JA**Pannell Kerr Forster Associates**
MANAGEMENT CONSULTANTS**Finance Director (Designate)**

S. W. London

To £40K + Car

Our client is a company operating in the retail sector, with a stock market quotation. They have a long established and successful tradition in their field and are now looking to capitalise on this position.

Plans for the future include the appointment of a Finance Director (designate), to play a significant role in the running and further development of the business. Specific responsibilities will include the effective management of the accounting and finance function, to include treasury management, fulfilment of company secretarial duties and general administration. You will have considerable input into the development and implementation of the commercial strategy.

You will be a qualified accountant with strong IT skills, ideally gained in a fast moving, customer oriented business and you will be looking to develop beyond the immediate scope of the role.

In the first instance, please contact Helen Isaac or Chris Denington at Grant Thornton, International House, 7 High Street, Ealing, London W5 5DR. Tel: 081-566 5900. Fax: 081-566 4995.

Grant Thornton
MANAGEMENT CONSULTANTS
The UK member firm of Grant Thornton International**FINANCE CONTROLLER POLAND**

INeg Warsaw
Our client, a subsidiary of a US Corporation, is looking to appoint a Number One Finance Manager for its Poland operation. You will manage the finance function and contribute to the running of the business. Candidates must speak Polish. Ref: FMP.
For further details please contact John Bowman on 071 387 5400 (even 0474 574473) or write to him at FSS Europe, Drayton House, Gordon Street, London WC1H 0AN, Fax 071 388 0857

PLC FINANCE DIRECTOR

With extensive general management, financial & commercial experience in both larger and smaller companies, available for assignment where can contribute to growth and success. Age mid 40s. Write to Box B1092, Financial Times, One Southwark Bridge, London SE1 9HE.

FINANCE DIRECTOR/MANAGERS

Experienced and professionally qualified management accountants. CV's to Lorien 1, Brockenhurst Road, Ascot, Berks. SL5 9DJ

PART-TIME FINANCE DIRECTOR ROLE

Sought by F.C.A. with strong track record including "Big 4" and corporate finance training and wide ranging commercial experience covering all aspects of financial management, personnel and corporate administration. "hands on", computer literate, up to date tax knowledge. Tel: 071-235 2337 Fax: 071-637 0166

Group Financial Controller

Wolverhampton c.£40,000 + Car + Benefits

Manders are long established market leaders in the manufacture of paint, printing inks and the factoring of decorators' requisites.

The Group, comprising three Divisions, has strengthened its market position and increased turnover to £110.3 million and profits by 50% to £9 million. The significant investment programme of recent years, which has transformed Manders, has provided state-of-the-art manufacturing and distinct competitive advantage.

To complement its plans for development and growth, and following the promotion of the previous incumbent, the Group wishes to appoint a Group Financial Controller. Reporting to the Group Finance Director, your role will contain the traditional elements of Group Consolidation, Treasury, Tax compliance and Auditor liaison. However, the role will take on a significant commercial involvement in acquisitions, divestments and investor relations. In essence, to succeed in the role, you must have the

necessary technical capability and presence to be able to make an impact at Group level and in the operating divisions. Whilst being the "ambassador" of best practice, you must also have the commercial "nous" and common-sense to be able to relate to a fast-moving, growing organisation and its distinctive style of management.

If you are a chartered accountant with a positive approach to teamwork, combined with manufacturing industry experience, then the prospects for personal and career development are significant.

Please send a full CV, quoting reference B/425/93 to Steven French.

Closing date for applications is Monday 21st June 1993.

KPMG Executive Selection
Peat House, 2 Cornwall Street, Birmingham B3 2DL.**HEAD OF INTERNAL AUDIT STOCKBROKING**

c £50k + CAR + BENEFITS

Hoare Govett is seeking to establish its own Internal Audit function to provide a dedicated in-house resource to monitor key business controls for existing and proposed new business areas.

Reporting to the Chief Operating Officer, the Head of Internal Audit will establish and manage a programme of structured risk reviews and projects specifically tailored to the needs of the business.

The successful candidate will be a qualified accountant with extensive financial services experience in organisations with a strong attitude to risk control. Direct experience in Equity Sales, Trading and Corporate Finance would be advantageous. We are also looking for first rate communication skills at all levels together with strong project and man-management capability.

Written applications enclosing C.V. and quoting current salary to:

Graham Evans,
Personnel Manager,
Hoare Govett Limited,
4 Broadgate, London EC2M 7LE.**HOARE GOVETT**
Member of ABN AMRO Group

Senior Finance Manager

£35,000 + car
M25 South/South East

This client operates in a growing sector of the industrial services market, managing under contract a diversity of industrial and commercial site facilities for major corporate and government clients. The company is a subsidiary of a £ multi-billion International Group headquartered in the UK which provides long term career opportunities for individuals with the drive and application to succeed.

The Company now wish to appoint a Senior Finance Manager who will report to the Finance Director and become an active member of the management team which operates in close liaison with the individual clients, to whom there is detailed accountability. Responsibilities will focus on maintaining a tight cost control regime, meeting individual contract requirements, ensuring effective control of sub-contractors and achievement of profit and cash objectives in addition to the obvious requirement for large corporate standards of budgeting, timeliness and accuracy in management reporting, and systems advancement. This is a highly interactive job with regular contact with clients in addition to the internal management team. There will be 60% absence from base, mainly on a daily basis in the UK.

A strong candidate is required with the ability to communicate effectively at all levels whilst maintaining high professional standards. Applicants must be Qualified Accountants with at least two years commercial experience preferably gained in an industrial services organisation. Computer literacy, particularly hands-on spreadsheet experience is essential. Age guide 28-33.

Please reply in confidence quoting reference L531 to:

Brian H. Mason,
Mason & Nurse Associates,
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 071-240 7805.

**Mason
& Nurse**
Selection & Search

FINANCE DIRECTOR

THAMES VALLEY £35,000 + car + bonus

Our client leads the way as one of the most exciting and innovative healthcare service companies in the world, with diverse services focusing on sales, marketing and clinical research, and has an unrivalled combination of marketing communication, medical and human resource capability in one specialist service company with an unparalleled record of success.

Now undergoing a major expansion through both acquisition and organic growth, it is seeking to appoint an ambitious Finance Director to join a highly qualified and motivated team. Reporting directly to the UK Managing Director and functionally to the Group Finance Director, the successful candidate's major priority will be the effective management of the Finance Department, including Treasury, cash management, statutory reporting. In addition, the role will involve working closely with the Group Finance Director on international finance management and control, acquisitions and ad-hoc corporate finance projects.

The ideal candidate, aged in their mid 30s, will be a qualified accountant who has demonstrated a successful track record of hands-on financial management within a multinational service or manufacturing company. The ability to manage change and growth and, above all, strong interpersonal skills at all levels of management are essential.

The company offers an excellent remuneration package and tremendous potential for long term career advancement. Please write in strictest confidence, enclosing a full CV and salary details to:

Nigel Lynn ACMA, Nigel Lynn Associates,
25/27 Winchester Street, Basingstoke
Hants RG21 1EE

Please quote reference NLA338 on the envelope.

European Financial Controller

Bedfordshire

£35-40,000 + Car + Bens

A Substantial Business Management Opportunity

Our client is an international market leader engaged in the manufacture and distribution of a range of forklift trucks and ancillary vehicles. Operating in a highly competitive market place, the company has consistently demonstrated impressive growth and profitability which can be attributed to astute and forward-looking management and the unrivalled quality of its product range. With turnover currently in excess of £200 million, our client is pursuing a multi-faceted growth strategy which will enhance its status and position in the industry worldwide.

The company now wishes to appoint a positive and ambitious qualified accountant with strong technical, commercial and communication skills and the stature to become an integral part of the management team. Reporting to the Group Financial Director, the successful candidate will assume responsibility for all aspects of finance relating to the company's European manufacturing, distribution and sales operations. This will include statutory accounts and group reporting for subsidiary companies, management accounting and budgets, business planning, tax, treasury and systems with additional responsibility for company secretarial matters. The European Financial Controller will also make a significant commercial contribution to the business, with

responsibility for profit improvement and cost management issues in addition to other ad hoc projects and the evaluation of potential acquisitions.

Prospective candidates must be qualified accountants (ACA/ACMA/ACCA), preferably graduates and aged between 30-40, with a significant record of achievement in a manufacturing environment. Applicants should be able to demonstrate a hands-on approach to the business and the intellectual and technical ability to grasp and analyse complicated issues and contribute to strategic decision making.

Of equal importance are personal qualities which must include strong interpersonal and organisational abilities, together with a pragmatic approach and the skills of diplomacy, judgement and tact necessary to operate effectively in an environment which is both complex and demanding.

Interested candidates should write to Bill Greenwell, quoting reference LN154111, along with a full curriculum vitae giving a daytime telephone number and details of current remuneration, at Michael Page Finance, Centurion House, 136-142 London Road, St Albans, Herts AL1 1SA.

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Financial Management

Demanding commercial roles in an innovative and dynamic financial services company
Sussex Coast £40,000 - £50,000 + Car

Part of a substantial international group, this leading general insurer, with assets over £1 billion, is reacting positively to a changing insurance market. The company is committed to using advanced technology to gain business advantage, providing a first class service to customers and developing an environment of total quality. In order to achieve ambitious growth targets, they wish to recruit two key individuals.

DIVISIONAL CONTROLLER

Reporting to the Finance Director, this position will involve providing financial support to the senior operational and financial management of a diverse portfolio of businesses, covering insurance, loss adjusting, software development and printing, each with significant growth potential. Key tasks will include:

- business performance review;
- operational analysis;
- business planning.

This is a commercial and forward-looking role, and will demand a flexible approach.

Candidates should be Chartered Accountants with at least five years' post-qualification experience, gained in blue chip service companies. Exposure to the insurance industry would be useful.

In this highly visible role, first class interpersonal skills are a pre-requisite, combined with the ability to learn quickly and to establish credibility in a demanding environment.

REF: 196J

In addition to a salary within the advertised range, each position will attract a full range of benefits, including a fully expensed car, non-contributory pension and healthcare cover. If necessary, relocation assistance will be provided.

MANAGER, FINANCIAL REPORTING

Reporting to the Assistant Director of Finance, the Manager will take charge of an experienced team and will be responsible for the mainstream financial reporting function. This principally comprises both UK and US GAAP accounting and operating information, as well as all other formal reporting requirements of the group.

This is a pro-active role and the emphasis is placed on timely and accurate reporting, as well as the constructive interpretation of management information.

Candidates will be qualified accountants with a good knowledge of insurance company accounting and US accounting principles.

A high degree of professionalism and technical competence will be necessary, together with well developed management skills and the ability to work independently.

REF: 197J

In both instances, the company wishes to recruit bright and articulate graduates who are keen to develop their careers in a rapidly changing environment. Interested applicants should send a CV, including details of current salary and availability, to the address below, quoting the appropriate reference number.

GKRS

SEARCH & SELECTION

CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TELEPHONE 071 287 2820
A GKR Group Company

FINANCE DIRECTOR/CONTROLLER

Chartered Accountant, 20 years experience in France and all major European countries. Accounting, tax, UK and US reporting, fluent French. Seeks position with international group. Preferably in Paris.

Please reply to Box No. B1090, Financial Times, One Southwark Bridge, London SE1 9HL

Assistant Treasurer

West Yorkshire

to £35,000 + Car + Benefits

Our client is one the region's most successful public companies which is involved in the provision of a variety of services to both industrial and consumer markets. A programme of acquisitions and new business development allied with substantial capital investment will ensure that the Group's record of profitable growth will continue.

Due to internal promotion they now seek to appoint an Assistant Treasurer who, reporting to the Group Treasurer, will assume responsibility for a broad range of treasury functions including:

- Managing the Group's long term borrowing requirements.
- Supervising day to day money market operations.
- Foreign exchange.
- Managing interest rate exposures.

* A wide variety of ad hoc projects and responses.

This is a senior appointment within the organisation. Candidates, probably aged between 30 and 45 and ideally ACT qualified, should possess the breadth of experience gained within a corporate treasury function required to undertake this role. Strong technical, interpersonal and organisational abilities are prerequisite allied with the personal maturity and drive to succeed in this demanding environment. Career prospects are excellent.

Our client is an equal opportunities employer.

Interested applicants should contact Fred Howie ACMA at Michael Page Finance, Leeds House, 28-32 St Paul's Street, Leeds LS1 2PX. Please quote reference: 152097.

MP

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Group Financial Controller

Bucks

£42,500 + Car

Our client is a highly profitable, acquisitive plc, operating in a rapidly expanding, commercially aggressive niche of the environmental services sector. Group turnover is approaching £175m and is expected to grow substantially over the next five years.

This new appointment will carry responsibility for managing the entire financial infrastructure of the group during a challenging, expansionary phase. The brief will cover all aspects of management and statutory reporting, financial analysis and systems development. Particular emphasis will be placed on the provision of financial advice, guidance and leadership to operating company

management, ensuring and enabling best professional practice.

Candidates, aged up to 35, should be Chartered Accountants who can demonstrate a strong track record of achievement gained in a well managed industrial environment. Excellent communication and interpersonal skills, coupled with above average intellect and strong commercial drive, are essential requirements.

Interested applicants should forward a comprehensive curriculum vitae, quoting ref 2671, to

Alan Dickinson FCMA, Executive Division,
Michael Page Finance, Page House,
39-41 Parker Street, London WC2B 5LH.

MP

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

THE TOP OPPORTUNITIES SECTION

appears every Wednesday.
For advertising information call:

Philip Wrigley
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071 873 3694

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071 873 4027

Mark Hall-Smith
071-873 3460

BBC BBC BBC

Divisional Accountant - West London

Help the BBC achieve its business and financial goals.

Under the BBC's new corporate structure, the newly-created Services Division has been tasked with achieving the best value for money in a wide range of activities that include property and facilities management, archives and libraries, recruitment and training, and north £400M.

As the Division's Accountant, you would be the principal source of advice and support to help its managers achieve their objectives supporting the programme of market testing and competitive tendering on which the Corporation is about to embark.

You will construct the Division's strategic financial plan; lead the drive to establish clear, workable financial control systems and define capital requirements for all business units. You should be a qualified accountant with at least five years experience in industry or business, during which you will have demonstrated a rigorous, commercially-minded approach to the improvement of business performance. You should demonstrate strong skills in management accounting and financial systems. You will report to the Controller Services Division and functionally to the Financial Controller, Resources Directorate.

An attractive remuneration package including a leased car will be provided. It is expected that applicants with the necessary experience will already be earning in excess of £40K pa.

For further details and an application form contact (quote ref. 12609/F) BBC Corporate Recruitment Services, PO Box 7000, London W12 7ZT. Tel: 081-748 7000

Application forms to be returned by June 24th.

WORKING FOR EQUALITY OF OPPORTUNITY

هنا من العمل

**DIRECTOR OF
FINANCE AND CONTRACTING****Birmingham****c.£40-£45k**

In expectation of becoming an NHS Trust in April 1994, we are seeking an experienced professional for this recently combined Unit providing comprehensive paediatric, tertiary, secondary and community services to the children of South Birmingham and beyond. Contract Income £42m per annum.

This key appointment to the Board will take lead financial responsibility and will manage the contracting process as well as contributing to the strategic direction of the future Trust.

Applicants will have a proven track record in formulating financial strategy and will have clear strategic vision, and the ability to influence others. A minimum of 3 years in a Director of Finance or Deputy role, in an organisation with a budget of at least £30m and a professional accountancy qualification are essential. Public sector experience preferred.

Informal enquiries to Colin Hough, Chief Executive on 021 454 4851.

Application forms are available from: Viv Silverwood, Personnel Manager, The Children's Services Unit, The Children's Hospital, Ladywood Middleway, Birmingham B16 8ET. Tel: 021 454 4851, ext. 6676. Please quote job ref: BCH 104/93.

Closing date: 25th June 1993.

South Birmingham Health Authority is Committed to Equal Opportunities and actively discourages smoking at work.

THE CHILDREN'S SERVICES UNIT
South Birmingham Health Authority**GROUP FINANCE MANAGER****SALARY RANGE £35K - £45K,
CAR, PENSION, BONUS POTENTIAL**

A commercially minded, qualified, ambitious individual is sought for this role in support of the Group Finance Director in a Northern based engineering group.

A wide range of skills and experience is required, to include financial, tax and cash management, management and statutory accounting, budgetary control and standard costing. These skills should be combined with a high degree of computer literacy and systems knowledge.

The candidate must be a good team member, highly analytical and challenging yet persuasive in person and writing.

Some international management experience would be beneficial but not essential.

The capacity to achieve at least one further promotion is essential as the shareholders own several other companies.

Preferred age is under 40.

Write to Box B1098, Financial Times,
One Southwark Bridge, London SE1 9HL.

Divisional Finance Executive**CENTRAL
LONDON****c. £45,000
Plus Benefits**

This is a rare opportunity for an outstanding and highly commercial finance professional to join one of the world's leading providers of international mobile satellite communications. As a result of sound financial and strategic management the company has witnessed unprecedented year on year growth resulting in their worldwide market presence. With a firm commitment to continue this programme of expansion there is an immediate requirement to appoint a first class finance executive to join the senior financial management team.

Reporting to and working closely with the Financial Controller, the successful applicant's responsibilities will include strategic and operational aspects of revenue control and service usage, systems enhancement as well as emerging issues in these and other areas. In addition you will be expected to play an active management role contributing to the company's longer term global development.

Candidates will, ideally, possess the following attributes:-

- A graduate, qualified ACA/CIMA, CACA or CPA
- Extensive commercial experience preferably gained within the telecommunications/related industry or other multi-national organisation
- Aged mid-30's to early-40's
- High degree of computer literacy
- First class presentation and communication skills with the ability to effect change.

This represents an outstanding opportunity to immediately impact within a highly successful and focused organisation. Energy, creativity and flexibility are all qualities which will enable you to capitalise on the career opportunities that exist within this young, dynamic organisation. The ability to manage a highly committed and professional team will be a pre-requisite. In return you can expect an attractive range of company benefits commensurate with a position of this standing.

If you feel that you have the qualities and skill mix that this company requires then please write in confidence to Andrew Livesey, quoting reference number 9913 at Nicholson International, Search and Selection Consultants, Africa House, 64-78 Kingsway, London, WC2B 6AH alternatively fax your details on 071 404 8128 or telephone 071 404 5501 for an initial discussion.

**NICHOLSON
INTERNATIONAL****...Exceptional career opportunities for outstanding Chartered Accountants to
influence the future business performance of a leading 'blue chip' company.**

Our Client, a highly successful subsidiary of a £multi-billion FTSE 100 group, is a recognised market leader in the transportation and service market. Operating globally, the company has an annual turnover of £800 million and is committed to further growth, both through acquisition and the continued development of the core businesses.

Based in London, the group require two first class Chartered Accountants to assist the company realise its future commercial objectives:

UK Regional Financial Controller**London****c£40,000 + Car**

Reporting to the European Finance Director, this senior appointment manages a large, professional team and is responsible for all aspects of finance and administration for the UK business. An influential member of the UK Management Team, the role represents finance in policy formulation and operational strategy. A key feature of the appointment will be to ensure that finance continues to enjoy a prominent profile in the business.

Ref: FG.

Financial Analyst**City****c£35,000 + Car**

Reporting to the Group Financial Controller, this newly created appointment is responsible for the provision of strategic analysis and supportive commentary to the Board on the group's international trading operations. Additionally, the appointment will be instrumental in developing the company's global commercial and financial reporting systems. This high profile appointment will necessitate some overseas travel.

Ref: FA.

Both appointments require skilled communicators who have the ability to work and present at board level. In your early 30's, you will be a graduate Chartered Accountant with several years post-qualification experience gained in a high profile commercial environment, where you have had to communicate and operate at the highest levels.

Applications are invited for both appointments from ambitious ACAs who want to realise challenging careers with a prestigious international business.

Please write enclosing your CV to our advisor MARK STEWART, at Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN. Tel: 071-387 5400 or Fax: 071-388 0857 quoting the appropriate reference.

Finance Director**West Midlands****£ Excellent + Benefits**

Our client is a dynamic organisation operating at the hub of the rapidly evolving social housing sector. They have a long and impeccable track record of providing affordable rented and community care housing throughout the West Midlands.

A charitable organisation, their ambitious expansion plans will not materialize by public funding alone, and an innovative Finance Director with exceptional corporate finance experience is therefore sought.

The successful candidate will participate in all strategic and financial management duties including those of Company Secretary and will be capable of negotiating the funding arrangements that will be crucial to future growth.

The position will challenge the best, demanding a blend of social awareness and commercial astuteness in an environment where change and innovation is the key to success. To reflect this, a salary and benefits package will be negotiated that is commensurate to the seniority of the post.

For further information and an application form please telephone PCA Recruitment, 61 Heath Street, London NW3 6UG. Telephone 071-435 1107. Closing date for returned applications Monday 21st June.

PCA
Recruitment**APPOINTMENTS
ADVERTISING**

Appears every Wednesday & Thursday (UK) and Friday (Int'l only). For further information or to advertise in this section please call:

Andrew Skarzynski
on 071-873 3607

Mark Hall-Smith
on 071-873 3460

Tricia Strong
on 071-873 3199

Rachel Hicks
on 071-873 4798

JoAnn Gredell
0101 212 752 4500

Business Analyst**Recently Qualified ACA/MBA****SOUTH WALES****PACKAGE TO £30,000**

Our client is one of the UK's foremost publicly quoted speciality metals manufacturers. Despite the recessionary environment of the last two years, the Group has performed soundly; the result of effective cost control and astute commercial judgement. This year it is well positioned to take advantage of the more favourable market conditions. Following a recent internal promotion the Group is now seeking to appoint an individual of exceptional ability to its Corporate Development Department.

Reporting to the Executive Director, Corporate Development, the successful candidate will be responsible for assisting top management in the further development of the Group. This will involve analysing the business to identify key financial issues and trends and to draw attention to areas of opportunity.

Candidates, who should be aged in their mid to late twenties, will either be recently qualified accountants from a "Big Six" firm or hold an MBA from a leading business school. They should have an understanding of financial and business analysis within a manufacturing environment. As a member of the management team, the successful candidate will possess well developed presentation skills, an enquiring mind, strategic ability and the confidence to influence the decision making process of the Group.

In addition to basic salary, the remuneration package will include share options, company car and bonus scheme. Interested candidates should telephone Mark Gilbert on 071-404 3155 or write, enclosing brief details, to the address below. All enquiries will, of course, be treated in the strictest confidence.

Alderwick Peachell**& PARTNERS LTD**

Alderwick Peachell & Partners Limited, Recruitment Consultants, 125 High Holborn, London WC1V 6QA. Tel: 071-404 3155. Fax: 071-404 0140.

**The
Registrar**

The University is restructuring its central administrative functions and seeks a person to play a major role in this exercise. Once completed, the new post of Registrar will have responsibility for all administrative arrangements other than Finance and Estates & Buildings.

Responsible directly to the Vice-Chancellor, the Registrar will be one of three Chief Administrative Officers along with the Finance Director and Bursar.

Experience of high level management in a large complex organisation is essential - this may or may not have been an academic establishment.

In return, a salary of not less than £40,000 is offered as well as the opportunity to make a significant contribution to the development of one of Britain's leading Universities.

Further details are available from the Personnel Director, University of Bristol, Senate House, Bristol BS8 1TH. Tel: (0272) 256450.

The closing date for applications is 2 July 1993.

UNIVERSITY OF BRISTOL**AN EQUAL OPPORTUNITIES EMPLOYER****CORPORATE FINANCE HEAD**

Required by Brussels based International Investment Company with an impressive record of growth has plans to build on this success over the next few years.

The successful candidate will liaise with the Chief Executive and play an important role in the management and future development of the Group. Responsibility will be for all corporate financial management, taxation and treasury matters and together with the Chief Executive for relations with institutions worldwide.

Aged 38-55 candidates should be graduate Chartered Accountants with experience and a proven track record at Director level in an international company. A second European language would be an asset.

If you have these qualifications please send a full c.v., quoting ref: AK to:

Box No. B1080, Financial Times
One Southwark Bridge, London SE1 9HL.

FINANCE DIRECTOR**Northants****c. £30,000**

An excellent opportunity to make full use of your business skills within a small yet ambitious independent Company operating within a highly competitive industrial services market. Long established and successful, the Company's strengths are built upon a sound financial base and a commitment to the highest quality of customer service.

We anticipate applications from qualified Accountants - probably aged 30 to 40 - seeking a more flexible and commercially driven finance role. As a key member of a small and highly committed executive team the successful candidate can expect to play a full part in determining and achieving the Company's future development plans. Key aspects of the role will be to develop control and reporting mechanisms, and to bring commercial judgement to bear in all areas of the Company's business activities.

In addition to the quoted salary a company car will be provided together with the range of benefits associated with this level of position.

Please apply in writing with full details of experience, qualifications and current salary, quoting ref no 0501 to Paul Blake, CIMA, at Crescent Management Selection, The Crescent, King Street, Leicester, LE1 6RX.

CRESCENT**FT/LES ECHOS**

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world.

For information on rates and further details please telephone:

Clare Peasnell on 071 873 4027

**PROVIDENT
GROUP TAXATION MANAGER****c.£35,000**

Scottish Provident is one of the UK's major mutual life assurance companies with funds under management in excess of £4.2bn.

We sell a range of life, pension and investment products through companies in the United Kingdom, Ireland and Europe and we now wish to recruit a tax manager who will be responsible for the taxation affairs of the group. The role provides ample scope for active involvement in tax planning, in addition to the more traditional tax work. The ability to operate closely and communicate effectively with senior managers is essential.

The ideal candidate will have 5 years experience of United Kingdom and European life company taxation.

Applications, in writing, should be sent to David B Adams, Assistant General Manager (Personnel), Scottish Provident, 6 St Andrew Square, Edinburgh EH2 2YA.

Scottish Provident is an Equal Opportunities Employer

**FINANCE DIRECTOR
Environmental Contracting****North London****£40,000**

Our client, a £40 million turnover Plc associated with a major quoted group, has expanded dramatically over the last few years. This has brought opportunities and challenges, with one of your first tasks being to ensure that control systems match the company's increased size and complexity.

Reporting to the Managing Director, you will be fully qualified and have experience in contracting, preferably with local authorities and utilities. You must be able to assist the board with the strategic development of the business, but at the same time have a hands-on approach and the strength of personality to make your views felt amongst the strong-willed management team.

In return you can expect a good salary package and excellent career prospects both in the company and elsewhere in the group.

If you feel you meet the challenges outlined above, please write with full details quoting reference: H 180 to David Clarke, Hogg Clarke International, 44 Holly Walk, Leamington Spa, CV32 4HY.

HOGG CLARKE INTERNATIONAL
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Notes	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	99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INVESTMENT TRUSTS - Cont.

Trust Name	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595
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AUTHORISED UNIT TRUSTS

AVB Unit Trust Managers Limited (30201F)

Florida Life Unit Managers Ltd (12/30/92)					
	12/30/92	12/31/91	12/31/90	12/31/89	12/31/88
Assets	103.28	96.71	101.29	+0.15	1.67
Liabilities	97.08	93.02	101.89	+0.08	1.76
Equity	6.20	3.69	-0.60	-0.06	-0.09
Assets	99.14	93.00	100.69	-0.06	1.58
Liabilities	95.30	90.72	91.51	-0.09	1.20
Equity	4.84	2.28	9.18	-0.09	0.38
Assets	102.62	95.17	96.01	+0.14	0.60
Liabilities	96.94	90.17	90.13	+0.14	0.60
Equity	5.68	5.00	5.88	-0.07	0.07
Assets	101.37	101.37	100.62	-0.18	1.57
Liabilities	96.84	95.88	90.72	-0.72	1.67
Equity	4.53	5.49	9.90	-0.09	0.09
Assets	94.77	94.87	97.79	-0.18	1.29
Liabilities	93.02	90.11	92.55	-0.11	1.25
Equity	1.75	4.76	5.24	-0.09	0.04
Assets	104.08	98.11	92.81	-0.09	0.57
Liabilities	95.51	89.64	92.81	-0.09	0.57

Consolidated 197 Acc	51	302.31	30.31	32.481	+0.58 US\$1
Co-op Pension Fds UT Mgrs Ltd					
78-00 Capital, London E253V 341				57	-583 9450
Equity 1 Crd Mgr 28...	0	727.7	721.74	134.28	+4.60
Equity Acc Mgr 28...	0	1748.2	1748.28	178.31	+8.36

For Latest see Cassa Unibank

Dimensional Text Management Ltd (2004)F					
155 Bishopsgate, London EC2N 3NS				57	+410 9177
European Small Cos	0	1284.9	1284.9	162.6	+1.2
Japan Small Cos	0	1457.8	1457.8	109.8	+51
UK Small Cos	0	1491.4	1491.4	162.3	+7.1
US Small Cos	0	1433.7	1433.7	149.5	+8.1

Latham ECAR 1992		071-762-3399				
Headline only 5277-294421						
Products: Services: 0920-299-338						
UK General Funds						
British Airways	5%	43.59	43.59	47.60	+4.00	1.14
Compass	5%	123.00	123.00	127.00	+4.00	1.14
Practical Inc (incl)	0%	103.04	103.04	118.04	+15.00	1.14
Q-Link	5%	261.50	261.50	267.81	+6.31	1.14
Qo (Account)	0%	139.26	139.26	152.38	+13.12	1.14
Qo (Index)	5%	101.88	104.21	111.79	+6.91	1.14
UK Smaller Cos	5%				+0.23	1.14
Insurance Funds						
Prudential Plc	5%	29.30	29.30	32.34	+3.04	1.14
British Insure	5%	31.60	31.72	33.98	+2.26	1.14
Global Bond	5%	29.80	29.80	30.72	+0.92	1.14
UK Equity Income	5%	127.49	127.94	138.73	+10.79	1.14

General Expenditures	84%	87.23	87.11	72.26	-8.12
General Receipts	16%	46.88	47.89	50.73	+8.86
Grant Credits	0%	0.00	0.00	0.00	0.00
Increased Income	0%	0.00	0.00	0.00	0.00
PEP Materials	0%	0.00	0.00	0.00	0.00
Project Charters 1st	0%	0.00	0.00	0.00	0.00
UN Grants	0%	0.00	0.00	0.00	0.00
High Income People	0%	0.00	0.00	0.00	0.00
Children (K-12)	0%	0.00	0.00	0.00	0.00
Children (Age 13-17)	0%	0.00	0.00	0.00	0.00
Adult Income	0%	0.00	0.00	0.00	0.00
Adult Expenditures	0%	0.00	0.00	0.00	0.00
College Income	0%	0.00	0.00	0.00	0.00
College Expenditures	0%	0.00	0.00	0.00	0.00
Adults & Children	0%	0.00	0.00	0.00	0.00
Children (Age 18 & F+)	0%	0.00	0.00	0.00	0.00
Preference Reserve	5%	17.50	17.50	17.50	-0.14
UN Income	5%	300.4	305.4	329.7	0.00

TIME: The time shown alongside the hotel manager's address is the time of the last business telephone call received. Another time is indicated by the symbol alongside the individual unit's name. The symbols are as follows: (V) - 00:00-11:00 hours; (H) - 11:01 to 14:00 hours; (D) - 14:01 to 17:00 hours; (N) - 17:01 to midnight. Daily cleaning prices are set on the basis of a minimum price; a slight period of time may elapse before prices become available.

Other explanatory notes are contained in the first column of the FT Managed Funds Service.

GS Life Assurance and Trust Regulatory Organisation, Gaskell Place, 100 New Oxford Street, London WC1A 1QS
Tel: 071-576-0444.

Black Asset Mgmt (Unit Trust) Ltd			
Balkans Mutual, Regent Court, Grosvenor			
Insurance Dept Type REG 3MG			
Managerial	61	52.77	52.76
Redhead Fund Management (1000			
St Basil's Lane, London E2A			
REG American Std	6	470.94	470.77
REG American P222	6	548.51	548.14
REG Ltd Equity Inc	6	148.72	148.72
REG Japan	6	286.18	286.18
REG Major UK Com	6	30.35	30.35
REG Major US Com	6	205.01	205.04
REG European	6	230.34	230.34

90000	ASB Smaller Cos.	5	62,250	62,250	0
	ASB Un. Comm.	5	115,100	115,100	0
	Shingora Unit Trust Mutual Ltd				
	1 White Hart Yard, London W1G 9EJ				
	Income:	5	6,088,723	588,723	0
	Global Inc.	5	52,100	52,100	0
	Net Conditions	5	307,950	307,950	0
	Net Conditions	5	158,001	158,001	0
	P Max Min (in £) 100,000 V. 3%	5	158,001	158,001	0
	Singer & Friedlander Ltd				
	PO Box 224, Rochester, NY 14621				
	Corporate Trust	5	52,811	52,811	0
	Global Inc.	5	78,250	78,250	0
	Smaller Cos.	5	101,100	101,100	0

22.25	-0.35	1.68
22.00	-0.40	2.04
(120000)		
07	-0.07	2896
(1400)	-0.07	14.26
22.25	-0.35	1.68
22.00	-0.40	2.04
07.00	-0.07	28.96
06.18	-0.07	28.74
(100000)		
07	-0.07	2003
06.18	-0.07	1.18
06.36	-0.07	0.60
71.31	-0.31	17.84

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on order of **HISTORIC PRICING:** The letter H stands

1970-1974. Unpublished. Charge made on sale of units. Used to defray reporting and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by

reverse redemption or all participating portfolios simultaneously or a switch to a forward pricing basis. The manager must deal at a forward price on request, and may move to forward pricing at any time.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In

practices, most will treat mortgages quite a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation on the previous business day. The time indicated

the symbol alongside the individual's last name. The symbols are as follows: (P) - 0001 to 1100 hours; (A) - 1101 to 1400 hours; (M) - 1401 to 1700 hours; (N) - 1701 to midnight. For further information on the symbols, see the back column of the FT Managed Funds Service.

Using Quality PRICES and not just the lowest in the
valuation point, a short period of time may
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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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CANADA

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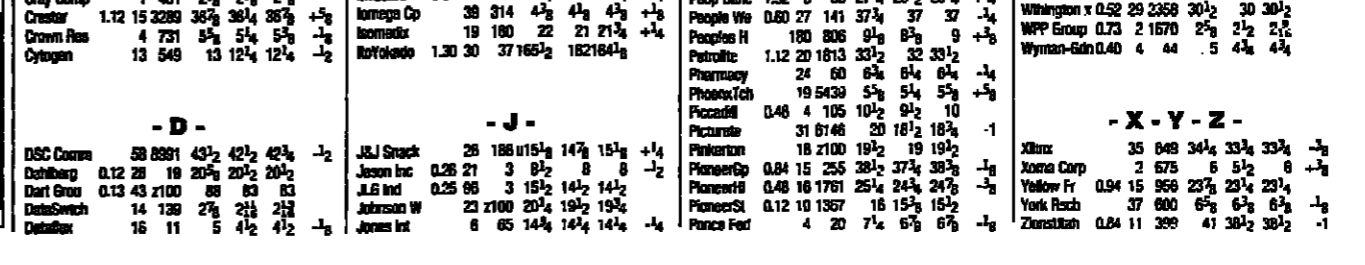
4 pm close June 10

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AMERICA

US stocks weaken on worries over inflation

Wall Street

US share prices fell across the board in light trading as dealers and investors nervously awaited today's important inflation data, writes Patrick Horsfield in New York.

At 1 pm, the Dow Jones Industrial Average was down 20.49 at 3,491.44. The more broadly based Standard & Poor's 500 was 1.22 lower at 444.56, while the Amex composite was down 0.95 at 435.51, and the Nasdaq composite down 2.16 at 687.08. Trading volume on the NYSE was 128m shares by 1 pm.

For the fourth consecutive day, activity on the equity markets was dominated by apprehension ahead of this morning's publication of the producer prices index for May. Ever since the surprisingly strong April inflation figures investors in both stock and bond markets have been worried that a revival in inflation might prompt an interest rate rise from the Federal Reserve.

Last Friday's unexpectedly big rise in payrolls, and the fall in the national unemployment rate, only heightened the markets' fears that rates may be increased to halt the progress of inflation. In particular, investors are concerned that they may soon be facing the worst of all worlds: rising infla-

tion but a still sluggish economy. These fears, combined with concern that stocks may now be dangerously overpriced, suggest that conditions are ripe for a possible major correction in equity values. Against such a background, there was little incentive to buy stocks yesterday.

Among individual issues, Minnesota Mining & Manufacturing gave up \$1 at \$52.4.

Also weaker in the technology sector was Advanced Micro Devices, which fell \$3 to \$22.1 in busy trading after the latest Semiconductor Industry Association's book-to-bill ratio came in below forecasts. The news also hit Intel, traded on the Nasdaq market, which fell \$1 to \$54.4 in volume of 2.6m shares.

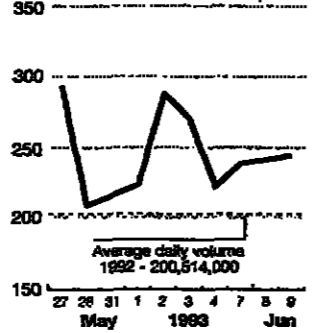
Xerox was the most heavily traded stock of the day, firming \$1 to \$74.4 in volume of 2m shares. On Wednesday the company sold 7m additional shares at \$74.4.

Athlete industries jumped \$1 to \$17.4 on the news that Allegheny Ludlum is to acquire the company under a merger agreement.

On the Nasdaq market technology stocks were weaker, with Microsoft down \$1 to \$89.4 and Apple down \$1 at \$43.4.

NYSE volume

Daily (million)



toronto plunged 36% to \$108.3 in busy trading after the company said that it was lowering its own forecasts for second quarter earnings.

Computer stocks continued to suffer from brokers' downgrades and concerns about the outlook for the industry. Hewlett-Packard fell \$1 to \$84.4, IBM dropped \$1 to \$52 and

Compaq gave up \$1 at \$52.4.

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Canada

TORONTO was tripped into decline between midday and 1 pm, the TSE composite index edging below equilibrium with a fall of 0.73 to 3,658.99 as volume rose from 36.3m shares to 39.6m.

Financial services and gold shares led the decline, with falls of 11.52 to 3,855.58 and 166.16, or 2 per cent to 7,996.49 in the sector indices.

EUROPE

Ferruzzi group extends losses in Milan

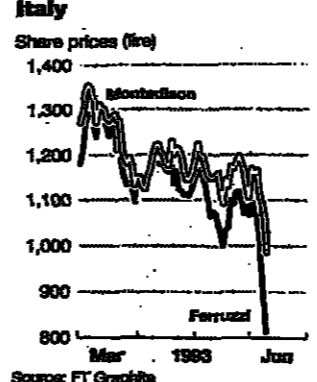
INDIVIDUAL companies got a lot of attention, writes Our Markets Staff. Frankfurt, Vienna, Lisbon and Warsaw were closed for public holidays.

MILAN witnessed further turbulence in Ferruzzi group shares although the overall mood was positive with some strong gains in a number of major issues.

As a result the Comit index nudged 7.34 higher at 533.24.

Nevertheless, it was the collapse of the Ferruzzi share price which attracted most attention. The shares lost another 1.24 to 1.805, but ended off the day's low of 1.795. During the session Mr Carlo Sama, the managing director, said that the group would not be asking for a suspension in trading. Since the restructuring plan was announced last weekend the shares have fallen by 12 per cent.

Some brokers commented that there was great uncertainty as to the future structure of the group, with speculation of asset sales and/or a debt for equity swap involving the major creditor banks. Clarification would have to wait for a shareholders meeting that



could be held before the end of the month.

Montedison slid 1.47 to close at 1.990 before improving slightly on the news to 1.992.

The telecommunications sector was particularly active on foreign buying after the government said that it would accelerate the privatisation process. Stet advanced 1.94 to 1.344, then to 1.300 on the news, while Sip put on 1.57 to 1.246.

PARIS fell back from the day's high although activity was subdued in the absence of

FT-SE Actuaries Share Indices

June 10		THE EUROPEAN SERIES									
Hourly changes		Open	10.30	11.00	12.00	13.00	14.00	15.00	Close		
FT-SE 100	1183.98	1183.70	1183.52	1183.85	1183.90	1183.13	1181.70	1181.45			
FT-SE 250	1232.92	1231.82	1230.97	1231.38	1231.73	1231.13	1231.33	1230.25			
		June 9	June 8	June 7	June 6	June 5					
FT-SE 100	1181.59	1182.70	1187.78	1189.95	1180.81						
FT-SE 250	1230.01	1231.05	1231.86	1234.21	1227.28						
Base rates 1000 GBP/USD: 1.60 - 1.605; 100 - 1.605; 200 - 1.605; 500 - 1.605; 1000 - 1.605											

Frankfurt. The CAC-40 index slipped 4.01 to 1,911.22 in turnover of FF2.4bn.

A rate cut of between 25-50 basis points is expected soon, with some brokers predicting Monday as the likely date.

LVHM fell back FF2.27 to FF3.863 after forecasting lower first half profits, while Suez, up FF5.50 at FF287, remained active on hopes of resolving its shareholding conflict with UAP, down FF6 at FF575.

AMSTERDAM closed mixed in active trading. The CBS Tendency and most blue chips were slightly firmer, the index ending 0.3 better at 107.3. But the day's most active stock, ING, dropped F13.60 to F162.90 as analysts decided that

unchanged first quarter net profits per share from the financial services group were about 10 per cent off the expected level.

BRUSSELS featured strong advances in the chemical blue chip, Solvay, and the holding company Société Générale de Belgique (SGB) as the Bel-20 index rose 6.5 to 1,219.94.

Solvay built on Wednesday's gains, up another BFR175 to BFR11.775, while SGB put on BFR45 to BFR2,150 as its non-ferrous metals unit, Union Minière closed BFR55 higher at BFR2,135, helped by the strength of the dollar.

ZURICH saw another SFR60 rise to SFR1,700 in surveillance on its share buy-back plan, for a two-day gain of SFR160, as

the SMI index eased 2.2 to 2,309.2. MADRID extended its technical recovery, the general index closing 1.26 higher at 257.55 in modest turnover of Ptas4.4bn.

HELSINKI liked the interim reports from Instrumentarium and Oskari and made a technical rebound. The HEX index, which had fallen by nearly 12 per cent since its 1993 high three weeks ago, rose by 2.5, or 2.1 per cent to 1,122.77 in turnover of FM80m.

Dealers said that the recovery was fragile but, in London, Mr David Roche of Morgan Stanley rated the market as cheap by all measures except earnings - and, there, he expected the dramatic declines of recent years to be reversed by devaluation and falling interest rates over this year and next.

ISTANBUL rose again on heavy press speculation that the former economic minister Mrs Tansu Ciller, seen as a keen supporter of the bourse, would become the new prime minister. The market index climbed 149.37, or 1.75 per cent to this week's second all-time closing high of 8,687.16.

Bangkok reels after SEC attack on share-riggers

Meanwhile, writes William Barnes, the economic and corporate fundamentals have deteriorated

Stockbrokers surveying the gloom that has overshadowed the Stock Exchange of Thailand for most of this year now comfort themselves with the thought that sentiment cannot get much worse.

At the beginning of the year, the SET index looked like breaking through the 1,000-point barrier, supported by what appeared to be strong corporate earnings.

But, since then, every attempt by the market to move up has been thwarted by bad news; this has culminated in the realisation that corporate earnings are likely to be swimming through mud for the rest of the year.

In spite of a rise this week, the index closed yesterday at 844.01, down 1.87 on the day, compared with a peak of 998.44 in January.

The new year optimism among Thailand's notoriously volatile domestic investors quickly evaporated as the one-year-old Securities and Exchange Commission continued to pursue suspected share price riggers and corporate smoke-and-mirrors specialists; share rammers, it is said, have at least had the merit of being able to lead the Thai market a merry, if rather dangerous, dance.

By April the market's collective nerve steadied and the market greeted the much anticipated SEC announcement that police had been asked to prosecute 30 suspected share-rammers almost with relief.

Then, by accident or design, the names of a further 123 sus-

pect investors were leaked to the press and the index dropped 6.2 per cent in five days.

No sooner had the index struggled from the depths of 840 and into the 890s - as it became clear that the 123 would not be prosecuted - than companies started releasing their first-quarter results and the index weakened to set a 1993 low of 818.84 ten days ago.

Mr Rob Collins, head of research for Asia Equity, says: "The first-quarter earnings were truly disastrous and everyone got very depressed. Speculation had been taken out of the market (by the SEC's crackdown) and then we had the fundamentals knocked for six."

At the beginning of this year, the Bank of Thailand's 7.8 GDP growth forecast looked quite reasonable; now, some pessimists have begun to talk of growth of less than 6 per cent - a flat or even a decline, since the mid-1980s.

Earlier hopes that Thailand could ride out the global slowdown, and the cost of its own heavy investment in increased capacity in everything from manufacturing to hotels, had to be sharply readjusted.

Asia Equity reckons that, of 310 listed companies, the first quarter results show that less than a dozen are genuinely flush with profits, after stripping out the still lucrative banking sector, the new listings which habitually jump from profit minimisation to

profit maximisation, and companies which "massage" their results.

Local investors have drawn some comfort from this week's lacklustre no-confidence debate in parliament - a "joke", according to the head of one Thai securities house - which helped to set aside worries that the current five-party coalition government might break up.

There has also been a flurry of excitement in the handful of recent new listings and warrant issues.

Warrants of the respected property company, Land and Houses, traded nearly their entire issue when they hit the market on Wednesday - helping to boost trading volumes to around Bt5bn, compared with the duller trading of around Bt1bn seen over the last two months.

Shares in the government's oil and gas producer PTT Exploration and Production jumped from a striking price of Bt3 to close at Bt4.75 on high volume after its first trading session yesterday.

It will probably require substantial fundamental good news for these shares of speculation to dispel the gloom much before the end of 1993.

ASIA PACIFIC

Nikkei average falls in low volume

Tokyo

SHARE prices lost ground for the fourth consecutive day as a stronger yen, and caution ahead of the futures and options expiry today, kept investors on the sidelines, writes Eniko Terazono in Tokyo.

The Nikkei average lost 81.92 to 20,493.32, after an early high of 20,618.31 on buying by investment funds and a low of 20,389.56 later in the morning on arbitrage selling. The index recouped some of its fall in the afternoon on small-lot buying by public funds.

Volume was an estimated 270m shares, the lowest since March 5. Declines led rises by 678 to 336, with 163 issues unchanged. The Toxip index of all first section stocks shed 2.77 to 1,652.26. In London the ISE/Nikkei 50 index edged ahead 1.12 to 1,243.10.

Investors were also wary of taking positions before the release today of the Bank of Japan's tankan, its quarterly report on business sentiment.

After a brief fall to below the Y106 level, the dollar closed Y10.13 down at Y106.20, a new Tokyo low. Some high-technology exporters were hit by fears of lower profits: Sony lost Y20 to Y4,560.

However, power utilities, importers of fuel, were higher, with Kansai Electric Power up Y40 to Y2,920 and Kyushu Electric Power up Y70 to Y2,960.

Regional banks were also stronger on small-lot buying by foreign investors. Shiga Bank advanced Y24 to Y834 and Bank Hyokuryu added Y180 at Y7,500. However, some city banks were lower on technical trading: Mitsubishi Bank slipped Y20 to Y2,720.

Speculators focused on Aids-related issues. Mochida Phar-

maceutical fell Y50 to Y2,950 on a report that the World Health Organisation had announced that Mochida's anti-Aids interferon drug was ineffective. Olympus Optical, whose US joint venture was reported to have developed Aids-detecting equipment, put on Y20 to Y1,260.

On the over-the-counter market, THK, the bearings maker which plunged earlier this week on rumours of financial problems due to stock speculation, recovered Y20 to Y2,140. Traders said the rise was partly due to support by a leading broker. Baring Securities said that, aside from fears of hidden liabilities, THK faces a drop in operating margins due to the recession and higher yen.

In Osaka, the OSE average declined 111.84 to 23,006.91 in volume of 14.5m shares.

Roundup

PROFIT-TAKING was much in evidence yesterday among the Pacific Rim markets.

HONG KONG lost ground on selected profit-taking in thin trading. The Hang Seng index dipped 78.50, or 1.1 per cent, to 7,260.58 as turnover slumped to HK\$4.7bn from HK\$4.6bn.

Among the actives, Cheung Kong receded 20 cents to HK\$27.60 and China Light HK1 to HK\$39.25. HSBC was steady at HK\$72.50 and Hang Seng Bank shed 50 cents.

SEOUL was subjected to profit-taking following strong gains earlier this week. The composite index retreated a net 3.88 to 773.39, after a day's high of 787.60. Turnover was a record Won1,344bn.

TAIWAN saw a decline in financial stocks pull the

weighted index 46.71 lower to 4,223.01 in T\$16.94bn turnover.

MANILA lost for the third day in succession, marked by confusion over the closing date for Manila Electric's 80 per cent dividend declaration.

Trading in Manila Electric was suspended until the issue is settled. The composite index shed 5.38 to 1,576.46 in turnover of 327.3m pesos.

AUSTRALIA recovered to close slightly higher after being dragged lower earlier by the weaker gold bullion price.

The All Ordinaries index finished 3.4 ahead at 1,712.5 in turnover of A\$278.5m. May unemployment data showing little change from the previous month, and a strong futures market, helped to swing the market around.

BOMBAY moved up on short-covering, the BSE index gaining 44.98 at 2,396.01.

Trading begins in new fund

A NEW emerging markets fund began trading on the London stock exchange yesterday, writes John Pitt.

The Baring Securities Emerging Markets Index Tracking Fund, with an initial capitalisation of \$50m, follows the launch of the broker's index last October.

The closed-end fund will track the index through investment in a diversified portfolio of equity securities of 214 listed companies, spread between 12 countries in Asia, Latin America and Europe.

The index weights emerging markets according to the proportion of capitalisation available to non-domestic investors, and provides a benchmark of markets with regard to shares in which investors can realistically trade.

Spain - Economic Outlook

The Central Hispano report on Spanish business and finance

TIME OF RECKONING

Spain's new government faces some uncomfortable decisions as it confronts an economy in recession, growing unemployment and a large budget deficit.

The economy shrank 0.8% in the first quarter, according to Central Hispano's economic activity indicator, while the Economy Ministry put the decline at 0.2%. The economy entered recession in the fourth quarter of 1992 and activity will remain depressed for the rest of 1993. However, a pick-up in exports, as a result of the 8% devaluation of the peseta (the third in eight months) on May 13, and weaker domestic demand could produce a change of trend in the second half of the year. Central Hispano estimates the economy will decline 0.5% for the whole year.

March figures (the latest available) show a year-on-year decline of 0.8% in private consumption and 8.5% in investment. Consequently, the differential between domestic demand and supply growth rates is widening. In March demand fell 2.3% and supply 0.8%, widening the gap to 1.5 percentage points (up from 1.1 points in February).

With supply outstripping demand, the trade deficit and inflation are coming down. The trade deficit for the first four months was 38% lower at \$6.7 bn. If this trend continues the current account deficit could come down to around 2.3% of GDP from 3.3% in 1992. Although inflation rose 0.4% in April, the highest increase for this month since 1985 because of the erratic performance of non-processed food prices, consumer prices rose 1.8% in the first four months, down from 2.5% in the same period of 1992. Central Hispano estimates inflation was 0.3% in May which would keep the 12 month rate unchanged at 4.6%, while the underlying rate would increase slightly to 5.9%.

countries. Not even in the early 1980s when Spain embarked on industrial reconversion following the second oil shock did unemployment rise so steeply. The 11.8 million people employed was almost the same as in the third quarter of 1988. Central Hispano estimates around 400,000 more jobs will be lost by the end of the year.

A major factor behind higher unemployment is insufficient wage moderation. Although the average nominal wage increase for the first quarter was lower than in 1992 (6.4% as against 7%), real growth was 2.2 percentage points (compared to 0.4 points) because of reduced inflation. Until this issue is confronted and an incomes policy agreed, Spain cannot hope to begin to solve its unemployment problem.

Equally important is the need to reduce the budget deficit. The state's cash deficit for the first four months was 13.7% higher at \$6.4bn, well above the target of a 19.1% decline for the whole year. The overshoot was caused by the jump in debt servicing costs and the larger than expected fall in tax revenues because of the recession.

CENTRAL HISPANO ECONOMIC ACTIVITY INDICATOR

Non-agricultural Gross Domestic Product (NAGDP) (12-month real rates of change)



RECORD UNEMPLOYMENT

Unemployment continues to increase and now stands at a record 21.7%. Because of the size of the unregistered economy, however, the official figures could overstate the true level of unemployment. In the first quarter 264,170 jobs were lost, up from 109,900 in the same period of 1992, bringing the total number of unemployed to 3.3 million, according to the labour force survey published in May. This is a startling waste of resources in one of the EC's poorer

The Bank of Spain cut its benchmark intervention rate from 13% to 11.5% after the devaluation and then to 11.25%. The central bank is not likely to make new cuts until the uncertainty over the government's policies begin to lift. Once this happens and the peseta becomes more stable, the downward trend in interest rates should resume. However, in the medium-term, the peseta's position in the EMS will be chiefly determined by the fiscal policy and labour market reforms. If they are not sufficiently convincing, the peseta could suffer new bouts of instability.

Consolidated assets of US\$90.8 bn.

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Eight million clients.

Spain's largest bank.



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Outlook is presented as a service to the international business and financial community by Banco Central Hispano's Research Department. Subscriptions can be obtained by sending a fax to Ines Parron (341) 522 77 70.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		WEDNESDAY JUNE 9 1993										TUESDAY JUNE 8 1993										DOLLAR INDEX			
Figures in parentheses show number of lines of stock		US Dollar Index	Day's Change %	Round Starting Index	YTD Index	DM Index	Local Currency Index	Local % chg on day	Gross Yld	US Dollar Index	Round Starting Index	YTD Index	DM Index	Local Currency Index	Local % chg on day	Gross Yld	US Dollar Index	Round Starting Index	YTD Index	DM Index	Local Currency Index	Local % chg on day	1993 High	1993 Low	Year ago (approx)
Australia (85)		132.00	+0.2	129.18	88.91	112.42	130.38	-0.5	3.84	132.23	129.10	88.89	111.61	131.40	144.19	117.39	151.98	132.00	129.18	88.91	112.42	130.38	-0.5	3.84	132.23
Austria (18)		145.21	-0.2	142.10	97.80	123.69	123.48	-0.6	1.59	145.53	142.09	97.84	122.84	122.79	150.98	131.16	173.82	145.21	142.10	97.80	123.69	123.48	-0.6	1.59	145.53
Belgium (42)		142.93	-0.2	139.88	98.26	121.72	118.61	-0.4	4.82	143.17	139.78	98.24	120.84	118.10	158.76	131.19	143.50	142.93	139.88	98.26	121.72	118.61	-0.4	4.82	143.17
Canada (109)		126.75	+0.1	124.05	83.37	107.94	117.59	-0.1	2.81	126.63	123.94	85.12	106.68	117.74	129.97	111.41	126.93	126.75	124.05	83.37	107.94	117.59	-0.1	2.81	126.63
Denmark (53)		214.57	-0.5	219.98	144.52	192.73	192.76	+0.3	1.24	215.83	210.53	144.38	192.00	192.27	225.84	185.11	237.05	214.57	219.98	144.52	192.73	192.76	+0.3	1.24	215.83
Finland (23)		87.87	-1.8	85.79	59.05	74.98	101.45	-0.1	1.20	88.26	87.15	60.01	75.34	102.84	100.92	65.50	76.40	87.87	85.79	59.05	74.98	101.45	-0.1	1.20	88.26
France (86)		155.26	+0.2	151.94	104.57	132.21	134.20	+1.0	3.35	155.00	151.33	104.19	130.81	132.88	167.36	142.72	161.94	155.26	151.94	104.57	132.21	134.20	+1.0	3.35	155.00
Germany (82)		112.05	-0.4	108.95	75.48	95.42	95.42	+0.5	2.22	112.44	109.78	76.80	94.91	94.91	117.10	101.59	123.73	112.05	108.95	75.48	95.42	95.42	+0.5	2.22	112.44
Hong Kong (55)		298.02	+1.0	292.24	201.13	254.32	258.30	+1.1	3.19	295.25	288.57	198.69	249.47	293.21	301.81	218.82	245.71	298.02	292.24	201.13	254.32	258.30	+1.1	3.19	295.25
Ireland (15)		163.85	-0.5	160.35	110.38	139.53	154.80	-0.1	3.42	164.74	160.8	110.38	139.53	154.80	-0.1	3.42	164.74	160.35	110.38	139.53	154.80	-0.1	3.42	164.74	
Italy (73)		97.17	-0.8	96.29	45.62	57.69	75.95	-0.1	5.25	97.25	96.18	45.18	56.73	74.08	72.82	53.78	70.44	97.17	96.29	45.62	57.69	75.95	-0.1	5.25	97.25
Japan (470)		133.4	-0.2	149.89	102.16	130.45	105.16	+0.0	0.80	153.45	149.83	103.18	135.12	104.10	155.26	103.75	103.74	133.4	149.89	102.16	130.45	105.16	+0.0	0.80	153.45
Malaysia (69)		394.54	+0.5	337.17	232.04	293.49	339.08	+0.5	3.99	346.81	334.70	230.44	299.34	337.33	348.83	251.99	296.48	394.54	337.17	232.04	293.49	339.08	+0.5	3.99	346.81
Netherlands (38)		145.2	+0.4	142.10	97.80	123.69	123.48	-0.6	1.59	145.53	142.09	97.84	122.84	122.79	150.98	131.16	173.82	145.2	142.10	97.80	123.69	123.48	-0.6	1.59	145.53
New Zealand (13)		164.45	-0.5	164.15	113.48	145.46	141.20	+1.3	3.89	167.1	163.65	112.88	141.38	138.34	172.75	150.69	163.43	164.45	164.15	113.48	145.46	141.20	+1.3	3.89	167.1
New Zealand (13)		49.83	-0.4	47.78	32.98	41.98	48.10	-0.1	4.58	48.04	47.39	32.97	41.39	48.70	49.82	40.56	45.57	49.83	47.78	32.98	41.98	48.10	-0.1	4.58	48.04
Norway (38)		151.0	-0.1	151.0	104.57	132.21	134.20	+1.0	3.35	151.0	151.0	104.57	132.21	134.20	+1.0	3.35	151.0	151.0	104.57	132.21	134.20	+1.0	3.35	151.0	
Singapore (38)		280.55	-0.1	254.97	175.49	211.88	195.49	-0.1	1.76	280.88	254.71	175.38	220.19	193.34	282.72	207.04	236.73	280.55	254.97	175.49	211.88	195.49	-0.1	1.76	280.88
South Africa (30)		192.39	-0.1	188.28	125.58	108.39	163.96	-0.1	2.59	194.41	188.30	130.09	104.09	196.10	201.01	144.72	248.27	192.39	188.28	125.58	108.39	163.96	-0.1	2.59	194.41
Spain (46)		128.48	+0.4	125.71	86.52	108.39	121.50	+0.9	4.93	127.93	126.30	86.00	107.47	120.06	132.82	116.25	154.71	128.48	125.71	86.52	108.39	121.50	+0.9	4.93	127.93
Sweden (38)		177.84	+0.5	173.82	97.68	151.39	191.84	+0.6	1.78	178.52	174.30	97.68	151.39	191.84	+0.6	1.78	178.52	177.84	173.82	97.68	151.39	191.84	+0.6	1.78	178.52
Switzerland (219)		127.12	-0.2	124.40	85.82	108.27	112.60	-0.1	1.88	127.39	124.38	85.85	107.45	115.07	129.36	108.91	136.94	127.12	124.40	85.82	108.27	112.60	-0.1	1.88	127.39
United Kingdom (53)		176.67	-0.5	172.69	118.98	150.44	172.89	+0.8	4.02	176.75	173.18	118.14	148.33	171.59	191.89	162.00	196.27	176.67	172.69	118.98	150.44	172.89	+0.8	4.02	176.75
USA (12)		122.2	+0.2	122.2	122.2	122.2	122.2	+0.2	122.2	122.2	122.2	122.2	122.2	122.2	122.2	122.2	122.2	122.2	122.2	122.2	122.2	122.2	+0.2	122.2	122.2
Australia (85)		145.21	-0.2	142.10	97.80	123.69	123.48	-0.6	1.59	145.53	142.09	97.84	122.84	122.79	150.98	131.16	173.82	145.21	142.10	97.80	123.69	123.48	-0.6	1.59	145.53
Belgium (42)		142.93	-0.2	139.88	98.26	121.72	118.61	-0.4	4.82	143.17	139.78	98.24	120.84	118.10	158.76	131.19	143.50	142.93	139.88	98.26	121.72	118.61	-0.4	4.82	143.17
Canada (109)		126.75	+0.1	124.05	83.37	107.94	117.59	-0.1	2.81	126.63	123.94	85.12	106.68	117.74	129.97	111.41	126.93	126.75	124.05	83.37	107.94	117.59	-0.1	2.81	126.63
Denmark (53)		214.57	-0.5	219.98	144.52	192.73	192.76	+0.3	1.24	215.83	210.53	144.38	192.00	192.27	225.84	185.11	237.05	214.57	219.98	144.52	192.73	192.76	+0.3	1.24	215.83
Finland (23)		87.87	-1.8	85.79	59.05	74.98	101.45	-0.1	1.20	88.26	87.15	60.01	75.34	102.84	100.92	65.50	76.40	87.87	85.79	59.05	74.98	101.45	-0.1	1.20	88.26
France (86)		155.26	+0.2	151.94	104.57	132.21	134.20	+1.0	3.35	155.00	151.33	104.19	130.81	132.88	167.36	142.72	161.94	155.26	151.94	104.57	132.21	134.20	+1.0	3.35	155.00
Germany (82)		112.05	-0.4	108.95	75.48	95.42	95.42	+0.5	2.22	112.44	109.78	76.80	94.91	94.91	117.10	101.59	123.73	112.05	108.95	75.48	95.42	95.42	+0.5	2.22	112.44
Hong Kong (55)		298.02	+1.0	292.24	201.13	254.32	258.30	+1.1	3.19	295.25	288.57	198.69	249.47	293.21	301.81	218.82	245.71	298.02	292.24	201.13	254.32	258.30	+1.1	3.19	295.25
Ireland (15)		163.85	-0.5	160.35	110.38	139.53	154.80	-0.1	3.42	164.74	160.8	110.38	139.53	154.80	-0.1	3.42	164.74	163.85	160.35	110.38	139.53	154.80	-0.1	3.42	164.74
Italy (73)		97.17	-0.8	96.29	45.62	57.69	75.95	-0.1	5.25	97.25	96.18	45.18	56.73	74.08	72.82	53.78	70.44	97.17	96.29	45.62	57.69	75.95	-0.1	5.25	97.25
Japan (470)		133.4	-0.2	149.89	102.16	130.45	105.16	+0.0	0.80	153.45	149.83	103.18	135.12	104.10	155.26	103.75	103.74	133.4	149.89	102.16	130.45	105.16	+0.0	0.80	153.45
Malaysia (69)		394.54	+0.5	337.17	232.04	293.49	339.08	+0.5	3.99	346.81	334.70	230.44	299.34	337.33	348.83	251.99	296.48	394.54	337.17	232.04	293.49	339.08	+0.5	3.99	346.81
Netherlands (38)		145.2	+0.4	142.10	97.80	123.69	123.48	-0.6	1.59	145.53	142.09	97.84	122.84	122.79	150.98	131.16	173.82	145.2	142.10	97.80	123.69	123.48	-0.6	1.59	145.53
New Zealand (13)		164.45	-0.5	164.15	113.48	145.46	141.20	+1.3	3.89	167.1	163.65	112.88	141.38	138.34	172.75	150.69	163.43	164.45	164.15	113.48	145.46	141.20	+1.3	3.89	167.1
New Zealand (13)		49.83	-0.4	47.78	32.98	41.98	48.10	-0.1	4.58	48.04	47.39	32.97	41.39	48.70	49.82	40.56	45.57	49.83	47.78	32.98	41.98	48.10	-0.1	4.58	48.04
Norway (38)		151.0	-0.1	151.0	104.57	132.21	134.20	+1.0	3.35	151.0	151.0	104.57	132.21	134.20	+1.0	3.35	151.0	151.0	104.57	132.21	134.20	+1.0	3.35	151.0	
Singapore (38)		280.55	-0.1	254.97	175.49	211.88	195.49	-0.1	1.76	280.88	254.71	175.38	220.19	193.34	282.72	207.04	236.73	280.55	254.97	175.49	211.88	195.49	-0.1	1.76	280.88
South Africa (30)		192.39	-0.1	188.28	125.58	108.39	163.96	-0.1	2.59	194.41	188.30	130.09	104.09	196.10	201.01	144.72	248.27	192.39	188.28	125.58	108.39	163.96	-0.1	2.59	194.41
Spain (46)		128.48	+0.4	125.71	86.52	108.39	121.50	+0.9	4.93	127.93	126.30	86.00	107.47	120.06	132.82	116.25	154.71	128.48	125.71	86.52	108.39	121.50	+0.9	4.93	127.93
Sweden (38)		177.84	+0.5	173.82	97.68	151.39	191.84	+0.6	1.78	178.52	174.30	97.68	151.39	191.84	+0.6	1.78	178.52	177.84	173.82	97.68	151.39	191.84	+0.6	1.78	178.52
Switzerland (219)		127.12	-0.2	124.40	85.82	108.27	112.60	-0.1	1.88	127.39	124.38	85.85	107.45	115.07	129.36	108.91	136.94	127.12	124.40	85.82	108.27	112.60	-0.1	1.88	127.39
United Kingdom (53)		176.67	-0.5	172.69	118.98	150.44	172.89	+0.8	4.02	176.75	173.18	118.14	148.33	171.59	191.89	162.00	196.27	176.67	172.69	118.98	150.44	172.89	+0.8	4.02	176.75
USA (12)		122.2	+0.2	122.2																					

NEWS: EUROPE

Flexible hours plan proposed for Germany

By Quentin Peel in Bonn

MR Günter Rexrodt, the German economy minister, yesterday called for changes in the national labour laws to enable more flexible working hours, easier regulations for shift- and night-working, and more relaxed rules on Sunday and holiday working.

In a special statement issued by his ministry - appropriately enough on a day when most of the country was away from work for the religious festival of Corpus Christi - Mr Rexrodt spelled out six principles he intends to include in an amendment to the current employment legislation.

Changes in the labour laws - dating from 1938 - are a key element in Mr Rexrodt's campaign to raise German competitiveness, and improve the country's attractiveness for foreign investors.

He said new rules must make it possible to increase the number of hours during which equipment and machinery is operated in German fac-

ories - currently standing at a lower level than for any other leading industrialised nation.

He proposed:

- more flexible rules to allow deviation from maximum weekly working hours, with a longer period allowed for workers to compensate for overstepping the current limits;
- abolition of the ban on women working night shifts, already outlawed by the constitutional court;
- flexible Sunday and holiday working to cater for leisure pursuits of the majority, and to save jobs and create new ones;
- more flexible hours for process working and research and development activities;
- more flexibility in wage contracts to cope with special circumstances.

"German enterprises must be in a position to adjust their working hours flexibly to the demands of a modern industrial society," Mr Rexrodt said.

Trade unions have served notice, however, that they are mistrustful of efforts to ease working time regulations.

Youth divided on patriotic pride

By Quentin Peel

FEWER than one in two young people in western Germany says he or she is proud to be a German.

In the former communist east of the country, however, 68 per cent say they are pleased with their national origin, in spite of all the psychological and economic upheaval they are undergoing in the unification process.

On the other hand, 66 per cent of young westerners say they have foreign friends. Only 19 per cent do so in the east.

On both sides of the national divide, an overwhelming majority rejects violence against foreigners, including asylum seekers: the sort of violence which has seen a spate of arson attacks on the homes of foreigners again in recent weeks is justified by just 4 per cent of western youth, and 6 per cent in the east.

Contrasts in the hopes and

fears of young Germans in both halves of the country have clearly emerged from the latest thorough survey of attitudes carried out for the federal ministry for youth and women's affairs. Conducted by the IPOS social research institute, the study also reveals big differences in lifestyle on both sides of the former Iron Curtain.

Given the current economic recession, and rising unemployment, a surprisingly high number in the 14- to 27-year-old age group say they are satisfied with their lives: 95 per cent in the west, and 83 per cent in the shell-shocked east.

The researchers warn that eastern youngsters who have only had the minimum nine years of elementary school education represent a seriously deprived social group. They are far more likely to be unemployed - 35 per cent, against an eastern average of 16 per cent, and a western 3 per cent.

Serbian companies count cost of sanctions

Kerin Hope talks to some of the financial victims of the UN embargo on former Yugoslavia

THIRTEEN months ago, Simpo, the biggest furniture manufacturer in the former Yugoslavia, was about to sign a contract with an Italian design group.

The Belgrade-based company could barely keep pace with local demand for its latest line in rattan armchairs. With production for the first half of 1992 set to rise by 63 per cent, record exports were projected.

Now, Simpo's 5,000-strong workforce is on short hours and company executives must pay for their coffee.

UN sanctions against Serbia and Montenegro, imposed in June 1992 and tightened two months ago, have forced radical changes on a company that used to sell 70 per cent of its output abroad. In 1990, the year before Yugoslavia started to break apart, Simpo's foreign sales totalled \$130m.

Unable to export because of the embargo, Simpo took drastic cost-cutting measures. It started local production of imported items, such as heavy-duty staples formerly sent from Germany.

Faced now with the prospect of

being excluded indefinitely from markets abroad, the company's survival plan involves a comprehensive restructuring.

"We built a reputation for flexible management over the past 20 years. It is now being challenged to the limit," says Mr Slobodan Stojanovic, international sales director.

Simpo is sharply scaling down its operations, offering to lease tools and machinery to its workforce, based around 40 plants in Serbia. It is also prepared to offer equity stakes of up to 51 per cent in more than 30 subsidiaries, from upholstery-makers to equipment repair and maintenance companies.

"We may end up with a kind of cottage industry, with workers producing from their homes," Mr Stojanovic says. "But we'll also still have a workforce, when sanctions are lifted."

Although relatively few Serbian companies have developed a strategy for surviving the embargo, many former exporters make an effort to stay in touch with former clients and their markets, attending conferences

and trade fairs around Europe.

The sanctions have hit hard. Serbia's share of total Yugoslav exports amounted to about \$4.7bn in 1990, according to the trade ministry. Last year, exports were less than \$1.5bn.

Imports of medical supplies are exempt from the embargo but that has not halted the decline of Serbia's pharmaceutical industry. Overall production plunged by 70 per cent in the past year, according to the pharmaceutical manufacturers' association.

The government's foreign exchange reserves are too depleted to cover more than basic drug imports for public health requirements. Pharmaceutical companies complain of long delays in payment for supplying the state health service.

Their biggest problem, however, is the reluctance of drug producers abroad to supply raw materials to Serbia.

"It's the really big producers in Europe and the US that have dropped us since sanctions started. Trading

companies were more willing to continue," says Mr Radomir Stojkovic, president of ICN Galenika, Serbia's largest pharmaceuticals producer.

ICN Galenika, which has a 50 per cent share of the Serbian pharmaceuticals market, can now import only about one-third of its raw material requirements, he says. Lay-offs have not yet started, but workers at several plants have already been sent on summer leave.

Controlled by Mr Milan Panic, the California-based millionaire who served briefly as Yugoslavia's prime minister, the company is better placed than its rivals to lobby for what Mr Stojkovic calls "fair treatment under difficult conditions".

With reserves of \$50m deposited in a Swiss bank, intended to fund its investment programme, ICN Galenika argues that it has no problems in providing guarantees to suppliers abroad.

Mr Stojkovic claims that ICN Galenika should not be penalised, because it has complied with sanctions.

"Our exports used to be worth \$70m

yearly. We've stopped exporting completely. When some of our products were spotted recently in Slovenia, we sent documentary evidence to the UN sanctions committee that they were smuggled," he says.

For Creditel Bank, a private bank with 12 per cent of its equity base provided by a group of Canadian investors, the problem was one of timing. The bank, set up to promote private investment, received its operating licence just before sanctions were imposed. When they were tightened in late April, the foreign shareholders' \$10m equity contribution was frozen.

As a result, Creditel confines its lending to short-term loans for small and medium-sized private businesses in basic sectors such as food processing.

"Sanctions have had a catastrophic effect. We planned to do a lot of trade financing, we'd developed contacts with banks in the European Community, and we wanted to back some innovative projects. Now we can't plan, we just have to wait," says Mr Vlado Muzilic, executive director.



Warren Christopher, US secretary of state, yawns at the start of a Nato foreign ministers' meeting in Athens yesterday devoted to the war in Bosnia. To his left is Win van Ekelen, secretary general of the Western European Union, who was attending as observer.

Fragile ceasefire between Croats and Moslems

A FRAGILE ceasefire between Moslem and Croat forces went into effect yesterday as the two former allies prepared to battle for another town in central Bosnia, Reuters reports from Travnik.

Furious fighting until yesterday noon prompted United Nations peacekeepers to appeal to them to spare civilians trapped by their war for territory.

Vitez, a town where British UN Protection Force troops are garrisoned 25km southeast of Travnik, was "apparently under siege" and extremely tense with continued small arms fire and sporadic artillery fire, Ms Shannon Boyd, the spokeswoman for the UN forces in Zagreb, said.

UN sources said sporadic mortar and sniper fire rang out around Vitez houses after the truce, agreed by Croat and Moslem officers in Kiseljak on Wednesday, went into effect.

Croats blocked all routes into the area with checkpoints and debris and the main road between Vitez and the northern Moslem stronghold of Zenica was also blocked.

It is in this area that UN

forces are seeking guarantees on behalf of civilians who have to run a gauntlet of Croat and Moslem roadblocks to reach safety.

Moslems were reported to be attacking villages in the area of Novi Travnik, and to the east around Busovaca.

The Croat Defence Force (HVO) accused Moslems of provoking a fresh outbreak of fighting in Mostar and said a Franciscan monastery was set ablaze and 15 Croat soldiers were wounded.

Bosnia's Moslem President Alija Izetbegovic arrived in Zagreb minutes before Croatian President Franjo Tudjman, cutting short an official visit to China, landed to take charge of the Bosnia crisis.

Later the supreme commanders of Bosnian Moslem and Croat forces signed a sweeping agreement to end fierce fighting across central and south-east Bosnia and set up power-sharing bodies.

Meanwhile Sarajevo radio reported continuing fighting between mainly Moslem Bosnian forces and Serb troops around the Moslem refugee haven of Gorazde yesterday.

W Europe 'must tackle joblessness'

WESTERN Europe must tackle high unemployment if it is to compete in the modern world economy, Mr Gary Becker, Nobel economics prize winner said yesterday, Reuters reports from Madrid.

"Europe has an essentially skilled workforce but its jobless rate is unnecessarily high and must be overcome for it to succeed as well as it might," Mr Becker told a business seminar.

Western Europe's jobless rate has been running at an average 9 per cent over the past five years.

Mr Becker, who won last year's Nobel economics prize, said that in a free trade area countries with the best-trained people will compete most efficiently, provided companies are not stifled by employment taxes.

He said a serious by-product of unemployment is that those out of work are not getting trained, and they lose skills. "The unemployed have no opportunity to learn on the job, and the skills they learned on the job are gradually lost."

Pro-Russian stance denied during visit to Kiev

Kohl backs Ukraine in fight for EC markets

By Chrystia Freeland in Kiev

GERMAN Chancellor Helmut Kohl yesterday promised to push for greater Ukrainian access to the markets of the European Community.

Speaking at the end of a two-day visit to Kiev, he said: "I will absolutely say at the European Community meeting in Copenhagen that the markets of Europe must be open to Ukrainian goods," Mr Kohl said.

Mr Kohl, whose country boasts one of the strongest relationships with Ukraine of any western power, vowed to "put forward Ukraine's interests" at the July meeting in Tokyo of the Group of Seven leading industrial countries.

Mr Kohl's trip to Ukraine, his first visit there since it achieved independence nearly two years ago, was designed to ally Ukrainian fears that their country is being overlooked by western powers trying to forge close links with Russia.

Mr Kohl told reporters: "There can be no question of either, there can only be relationships with both."

The assurances come at a time of escalating disputes between Ukraine and Russia over issues such as the contested Black Sea Fleet.

Mr Kohl also said he had received clear assurances from President Leonid Kravchuk that the Ukrainian government remains committed to its earlier non-nuclear policy. "I noted with great pleasure the statement of the Ukrainian government that it will continue to speak forcefully for the ratification of the Start I treaty and the Lisbon protocol," Mr Kohl said.

German diplomats added that Mr Kravchuk also promised to push for accession to the Nuclear Non-Proliferation Treaty, which would entrench Ukraine's status as a non-nuclear state. These assurances echo promises Mr Kravchuk made to the Mr Les Aspin, the

US secretary of defence earlier this week.

However, it is parliament, not the president, which must ratify the arms pacts. In the aftermath of the Ukrainian prime minister's popular call last week for Kiev, at least temporarily, to keep some of its nuclear weapons, the Ukrainian parliament seems unlikely to ratify speedily the Nuclear Non-Proliferation Treaty which would enshrine Ukraine's status as a non-nuclear state.

About 10,000 coal miners of the depressed Donbass region went out on strike on Wednesday. The highly Russified Donbass has been a hot-bed of political protest since the first miners' strikes in 1989. But the current strikes threatens to pose a more serious threat to the Kiev government than its predecessors because the miners have added demands for regional autonomy and Mr Kravchuk's resignation to their standard call for pay increases.

Yeltsin relaxed on constitution

By Leyla Boulton in Moscow

PRESIDENT Boris Yeltsin yesterday conceded that his constitutional convention would probably fail to produce a draft constitution as quickly as he had hoped, and he suggested that the assembly take a month-long break.

Deputy Prime Minister Sergei Shakhrai, Mr Yeltsin's chief legal adviser, said during that time a special commission could sort out disagreements over elements of a new constitution.

Mr Yeltsin had initially instructed the convention to finish work on his draft constitution by next Wednesday.

Meanwhile, Mr Ruslan Khasbulatov, the parliamentary speaker who wants to delay the adoption of a new constitution for as long as possible, engaged in some familiar spoil-

ing tactics yesterday. Claiming he was too ill to attend the convention at which he was supposed to speak yesterday, he announced plans to set up his own rival convention.

Meanwhile, the government continued to combine radical economic action with old-style bureaucratic methods. At a cabinet meeting yesterday ministers were given a week to come up with plans for a 20 per cent cut in expenditure.

The cabinet also created an inner group of ministers to deal with urgent economic reforms, to be headed by Mr Oleg Soskovets, first deputy prime minister, and including the government's three young radical deputy prime ministers.

One of the duties of the commission, which excludes Mr Oleg Lobov, the conservative economics minister, is to implement an industrial policy,

the details of which have yet to be finalised.

Appearing weary, Mr Soskovets, who is formally responsible for industry, stressed the importance of rebuilding economic ties with other former Soviet republics.

Moscow police have arrested several officials in charge of the Russian central bank's notoriously inefficient clearing system for alleged involvement in the diversion of central bank funds on the basis of forged transfer documents.

An investigator in charge of the case said it was too early to release details but that the arrests went as high as managerial level. A spokesman for the central bank said that the arrests were confined to the separately-managed payments system and did not affect management of the central bank itself.

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EC to act on freedom of information

By David Gardner
in Luxembourg

EC heads of government are set to agree US-style freedom of information policy at their summit in Copenhagen on June 21-22, as a cornerstone of the Community's attempt to restore its credibility with Europe's citizens.

The move will make most EC documents available to the public on demand, except where their circulation might damage privacy, national security, relations with non-EC states, commercial confidentiality or monetary stability.

Foreign ministers of the 12, meeting in Luxembourg, have agreed most of the essentials of this freedom of information policy, which overturns the current practice which makes all EC documents secret unless a Community institution or member state decides to distribute them.

The "openness" drive should be further reinforced next Wednesday, when the European Commission publishes details of a new information policy, intended to make Brussels more open to the public.

Mr Joao de Deus Pinheiro, the commissioner in charge of opening up the decision-making process, said there was now broad agreement among his colleagues on the way forward.

A central plank of Mr Pinheiro's reform is to make it obligatory for the Commission's information directorate - in a new and closer collaboration with the rest of the Brussels bureaucracy - to research and respond to public inquiries about EC policy, including policy-in-the-making.

Access to working documents, which reveal the thinking of the Commission, is one

of the most controversial parts of the plan, and is unlikely to be taken up by the Council of Ministers, where the 12 negotiate and decide on Commission draft laws.

The Council, with its veil of secrecy still intact despite letting in television cameras to some formal sessions since February, is coming under strong pressure to change its ways.

A meeting in Luxembourg on Monday night between the Commission, Council and the European Parliament degenerated into a row over the difference between confidentiality and secrecy. Parliamentary officials reject "confidential" as too loose and subjective, and Mr Jacques Delors, Commission president, said Brussels would draft a definition of "secrecy", in an attempt to forge a consensus.

The ostensible spark for the row was the rules of operation for the EC Ombudsman set up by the Maastricht treaty to investigate public complaints about maladministration by the Community.

But it disclosed a fundamental split about how far member states are prepared to go on openness and accountability at EC level. The Danes and the Dutch are at one end of the spectrum, arguing for a full panoply of freedom of information rules and procedures, while the UK, on Monday night strongly backed by Germany, is vociferous in defending a minimalist interpretation of "openness".

One result is that broadly agreed procedures for "subsidiarity" - limiting action by the Community to those instances where national or regional action would be inadequate - are being held up, in an attempt to moderate British and German obduracy.

Italian kickback cash is found

By Robert Graham in Rome

MILAN magistrates have located L50bn (\$34.22m) of assets allegedly coming from kickbacks paid to Mr Giuseppe Parrella, the ex-managing director of ASST, the former state telecommunications agency.

This is the largest single amount found by magistrates in the corruption scandals and was revealed by a senior official in the ministry of posts.

One of the most puzzling aspects for the magistrates investigating the corruption scandals is the extent to which money collected has been spent or retained - and if retained in the name of individuals for their own benefit or that of the political parties for whom the funds were notionally collected.

Of the total, L30bn has been found in cash in offshore accounts in Vaduz, and L7bn in property investments in the northern city of Udine.

In another development two new foreign companies became involved in the corruption scandals with the announcement by Milan magistrates one executive from Philips and another from Bull had been arrested in connection with alleged kickbacks on contracts supplying to equipment to the justice ministry.

Italian police struck twice at the Mafia yesterday arresting two top associates of a detained crime boss and swooping on dozens more suspects, Reuter adds from Palermo.

Police said they arrested Raffaele Ganci and his son Calogero, alleged to be close aides of suspected boss of bosses Mr Salvatore "Totò" Riina.

Mr Riina was arrested in January after 23 years on the run and since then police have scored several coups in the fight against the Mafia, helped by a growing number of informers.

In a separate anti-Mafia operation centred around Milan and the southern region of Puglia, police made dozens of arrests and served fresh warrants on scores more in jail.

Most were suspected of Mafia association. In Milan, magistrates ordered police to detain more than 100 people for questioning. Some inmates of jails in northern Italy were served new warrants to delay their scheduled release pending further investigation.

European consortium confirms launch of \$275m A319 airliner programme

Boeing and Airbus work on super jumbo

By Paul Betha, Aerospace
Correspondent in Paris

BOEING and Airbus are making progress on plans to develop jointly a super jumbo airliner carrying up to 800 passengers, it was revealed at the opening of the Paris Air Show yesterday.

Airbus also confirmed yesterday the launch of a \$275m development programme to build the A319, a new 130-seat airliner which will extend its family of twin-engine narrow-body aircraft.

The super jumbo proposals involve long range aircraft with a possibility of building even bigger derivatives.

Mr John Hayhurst, Boeing's product director for the super jumbo programme, said preliminary marketing studies suggested demand for 400 to 500 very large airliners during the first decade of the next century. Although no technical obstacles had so far emerged, Mr Hayhurst said the parties were still a long way from deciding whether to launch a big aircraft.

However both Boeing and Airbus are continuing their own competing large aircraft development studies.

Airbus has recently stepped up discussions with potential Japanese partners in the development of a new super Airbus - the A3XX - which if developed would compete against Boeing's dominance of the jumbo aircraft market.

Boeing, the world's biggest manufacturer of commercial aircraft, is considering develop-



A model of a planned new version of Concorde on display at the Paris Air Show yesterday

ing a larger derivative of its 400 to 500 seat Boeing 747-400.

The Airbus consortium's new A319 is a smaller derivative of the 150-seat A320 twin jet airliner. It will complement the Airbus narrow-body air-

craft range which also includes the 186 seat A321.

The A319 is designed to boost its competitive drive against the US Boeing company which yesterday announced six orders worth \$700m for its 767

airliners. The orders included two Boeing 767s for Gulf Air, another two for EVA Airways and two for Japan Airlines.

Mr Jean Pierson, the Airbus managing director, said he believed there was a market

for 400 A319 airliners.

He said the consortium had decided to launch the new programme at a time of recession in the civil aircraft market to position itself for the market's eventual upturn in 1996.

Slow recovery forecast for Swedish economy

By Hugh Carnegie in Stockholm

SWEDEN'S economy has reached the bottom of the country's deepest recession since the second world war, but recovery will be slow with unemployment continuing to rise next year before falling slightly in 1993, according to a three-year forecast by Handelsbanken.

The bank, one of the top two in Sweden, predicts that gross national product will shrink for a third year this year, contracting by 1.4 per cent, slightly less than the government estimates. But it says the GNP quarterly average turned around in the first quarter and there will be a return to overall growth next year of 1.2 per

cent, rising to 2.3 per cent in 1995.

The improvement is largely attributed to exports, fuelled by the heavy devaluation of the Swedish krona last autumn, but expected to be sustained over the next two years by underlying increases in competitiveness from a decline in real wages - falling this year for the third year running - and rising productivity.

Despite weakening markets in Europe, Handelsbanken expects Swedish companies to expand market share and produce export growth of 23 per cent over the three-year period.

However, the outlook for the domestic economy, where investment and public and private consumption are set to

remain weak, is much gloomier. Real disposable income is seen as falling by 7 per cent this year, with no rise anticipated in 1994 and 1995.

Unemployment is expected to grow to 7.8 per cent of the workforce this year and peak at 8 per cent in 1994 before falling back to 7.2 per cent in 1995. These figures, like official government figures, are reckoned to understate the real jobless total by more than one third because of the large numbers in training schemes.

Better news for Prime Minister Mr Carl Bildt's conservative-led coalition, which faces a general election in late 1994, lies in the inflation forecast. Handelsbanken predicts a drop in inflation to 2.6 per cent in 1994 after 4.8 per cent this year.

Italy promises to change rules for foreign brokers

By Andrew Hill in Brussels

THE Italian government has promised to change stock exchange rules which force foreign stockbrokers to set up special offices in Italy, following pressure from the European Commission.

The Commission has decided to give Rome until October 31 to submit proof that the changes are under way, or face action in the European Court of Justice.

If the rules have not been changed by Jan 15, 1994, court action will be triggered automatically - three years after the first letter of complaint from the Commission.

The UK government formally complained to Brussels about the new SIMS law - named after the Società di Intermediazione Mobiliare, the new type of securities house it created - in September 1991, arguing that it was an unacceptable barrier to freedom of establishment and free provision of services in the Community.

An Italian diplomat in Brussels said yesterday the government would probably issue a formal decree, which could change the rules this autumn.

The British Merchant Banking and Securities Houses Association welcomed the news and said changes in the Italian legislation had been widely expected following the adoption of EC directives liberalising securities trading earlier this year.

"People have got more relaxed recently and there were fears about prosecution [in Italy] or unenforceable bargains had gone away," said a spokeswoman.

The rules cover equity trading on the domestic market and the sale of securities of any type to Italian investors other than SIMs or banks. Most large EC-based investment banks have centralised European trading operations in financial centres outside Italy, and were worried about the

cost of setting up elsewhere. Bankers feared that the Commission's tough line against the Italian law would be relaxed when Sir Leon Brittan was replaced as EC financial services commissioner by an Italian, Mr Romano Prodi d'Archirafi, in January.

In fact, Mr Vanni d'Archirafi - a former Italian ambassador to Madrid and Bonn - has managed to find an appropriate diplomatic solution to the problem, aimed at producing a result before the formal implementation of EC directives which will allow EC-based stockbrokers to do business anywhere in the Community.

The Commission has argued throughout the negotiations that securities houses have the right to set up in Italy using the legal form of their choice, and even to provide broking services from other member states.

The composition of the Bank of Italy's four-man directorate was agreed yesterday by the governing council, five weeks after Mr Antonio Fazio became governor, adds Robert Graham in Rome.

The new member of the central bank's executive body was named as Mr Vincenzo Desario, chief supervisor since 1983 and the most likely choice in terms of seniority. Mr Desario, 60, becomes one of the two deputy directors.

He joined the Bank of Italy in 1960 and has spent most of his career on the inspection side. He replaces Mr Fazio who in turn replaced Mr Carlo Azeglio Ciampi when he became prime minister.

The confirmation of Mr Lamberto Dini as director-general suggests that the authorities have been unable to find in the short term a suitably prestigious post either within Italy or internationally. Mr Dini was a contender to take over from Mr Ciampi as governor, but he was passed over in favour of his younger colleague, Mr Fazio.

Consumers hopeful

EC CONSUMERS are starting to see faint light at the end of the long recessionary tunnel, according to a survey published yesterday by the European Commission. Reuter reports from Brussels.

Although consumer confidence remained depressed in April, there was a distinct sign

of improvement for the coming 12 months, the survey said.

In spite of predictions this week that unemployment would rise from April's 10.4 per cent to 12 per cent next year, the survey said consumers had become less worried about joblessness.

Brussels turns its thoughts to the deprived

Alan Pike looks at 'symbolic' moves by the EC in an area traditionally looked after by member states

MR Jacques Delors, president of the European Commission, has embarked on a bid to double the level of expenditure on the EC's main programme for supporting poor and deprived citizens.

Official estimates compiled before the recession put the number of people in poverty in the EC - defined as those with access to less than half their national average income - at 50m. Unofficial estimates suggest the current figure could be as high as 70m. So even if member states agree to spend Ecu110m (\$132m) on a new five-year anti-poverty programme, it will still be only a drop in the ocean.

The move, however, signals a cautious but determined raising of the stakes in an attempt to involve the EC in the social stability of Europe's marginalised citizens.

At the turn of the year, the Commission produced "Towards a Europe of Solidarity", a document proposing ways of "intensifying the fight

against social exclusion and fostering integration." This acknowledged that the Community could not assume member states' responsibilities for attacking social exclusion - the EC's favoured umbrella term for combined effects of material and social deprivation. But it envisaged an EC role in transferring know-how and developing concerted initiatives at European level.

The Commission's agenda, even in such carefully stated terms, still raised the UK government's suspicions. A Department of Social Security memorandum commenting on the report says that it "could be taken to imply that there should be an EC strategy to deal with social exclusion." The British government, says the memorandum, "believes strongly on subsidiarity grounds that the appropriate level of response to social exclusion is that of the member state." While the Commission document did not explicitly breach the subsidiarity principle "any practical pro-

posals which flow from it will require close examination."

The practical proposals began flowing at a conference in Copenhagen this month when Mr Delors, in addition to saying he would seek a doubling of funds for local-level anti-poverty programmes supported by the EC, came up with ideas for solemn declarations against poverty and a "passport" setting out the rights and services to which Europe's disadvantaged citizens should be entitled.

While the ideas are largely symbolic, they will add to critics' worries - and supporters' hopes - that Mr Delors and Mr Pádraig Flynn, social affairs commissioner, are indeed trying to build an EC strategy on social exclusion. Although the EC has supported small-scale anti-poverty initiatives for more than 10 years, its main ventures into social policy have been directed at people in employment. Mr Flynn will, in

this tradition, publish a green paper proposing new human resources and training initiatives shortly.

But he acknowledges the concerns of anti-poverty campaigners that, if the focus of EC social funding is always on those in employment or facing redundancy, the needs of the long-term unemployed poor will become ever more distant from community thinking.

If finding an acceptable basis for even advancing discussion of poverty issues at EC level is difficult, the problems themselves are daunting. There was widespread concern among academics, voluntary workers and representatives from the EC's regions at the Copenhagen conference that, even with faster economic growth, insufficient jobs will be created to rescue the excluded through increased employment opportunities alone - the OECD predicts that there will be 23m unemployed in its European member states by the end of next year, compared with 8.5m in the US and 1.7m in Japan.



Flynn: trying to build an EC strategy to help the deprived?

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NEWS: INTERNATIONAL

Cambodia's PM warns of break-up

By Iain Simpson
in Phnom Penh

THE RULING Cambodian People's party, alleging that the election it lost last month was marked by widespread corruption, warned yesterday that the country could break up.

Mr Hun Sen, prime minister, told political leaders that moves are already under way to establish an autonomous zone in eastern Cambodia.

United Nations officials have so far dismissed the warning as a political bluff. Mr Eric Falt, the spokesman for the UN Transitional Authority in Cambodia (Untac), commented that "at this stage we have no evidence that any province is disaffiliating itself from the rest of Cambodia."

Mr Yasushi Akashi, the head of Untac, added that "Cambodia is already small enough."

At yesterday's meeting Mr Hun Sen also repeated his party's complaints about the conduct of the election and warned that his party would not hand over power to Funcinpec, the royalist party which came first in the polls, unless these allegations are fully investigated.

"Until the many outstanding issues concerning the elections are resolved, the current government will stay in place," he said. The party has submitted a list of technical complaints about the electoral process, none of which would make much difference to the result of the election. Talks involving the CPP and Funcinpec on a possible coalition are going on at the royal palace.

Mr Akashi has told the party that he is totally satisfied with the conduct of the election. In a letter sent to the party president he said there was no question of starting a new investigation to the charges of electoral fraud. Mr Akashi also

Khmer Rouge guerrillas in western Cambodia yesterday kidnapped a British volunteer mine-clearer and two staff members, Reuters reports.

A group of 17 guerrillas abducted the three men 22 miles from the town of Pursat, according to a spokesman for the UK charity, Halo Trust, which employs them. The volunteer, Christopher Moon, was being held with his Cambodian driver and an interpreter.

rejected the CPP's other main demand, that new elections be held in at least five provinces.

Final results announced by Untac yesterday gave Funcinpec 58 seats in the new constituent assembly and the CPP 51 seats. Two smaller parties will share the remaining 11 seats.

The assembly is due to meet for the first time on Monday and begin drafting a new constitution. After that it would become a legislative body.

Meanwhile, though, Cambodian politicians have been arguing about who will fund the country while the new constitution is being written. Mr Hun Sen's threat of a new autonomous zone in eastern Cambodia was widely seen as a political gambit and as part of coalition negotiations, although it was extremely well orchestrated. As he was speaking several hundred people gathered in three eastern provinces to voice their opposition to the election results.

Most of the demonstrators were government employees, including soldiers and police.

In Kompong Cham, which is Cambodia's most populous province, protesting soldiers and police surrounded the Funcinpec office, tore down posters and warned officials to leave the area immediately. The demonstrators also warned Untac officials that they must leave the province.

Roche unveils new Aids treatment

By Paul Abrahams in Berlin

PRELIMINARY data presented on a new Aids treatment developed by Roche of Switzerland suggest it is almost as effective as Wellcome's AZT, and is more effective than AZT when the two medicines are used in combination. Roche's drug, code-named Ro-31-8959, is a protease inhibitor which affects production of an enzyme necessary for the Aids virus, HIV, to replicate effectively. Virus particles without the

enzyme appear to be malformed and non-infectious.

Three studies in Italy, France, and the UK involving nearly 200 patients showed the drug led to significant increases in CD4 cells, the immune cells attacked by the Aids virus. This was true in patients in early and late stages of the disease. Clinicians from all three studies said the drug was extremely well tolerated at effective doses.

The results brought some relief to the annual international Aids conference in

Berlin where they were unveiled. Data presented earlier this week from an Anglo-French study of AZT, the most widespread treatment for Aids, confirmed earlier suggestions that the drug was not useful in HIV-positive patients who had not yet developed symptoms.

The Italian study, involving 96 patients, compared AZT on its own against AZT with the protease inhibitor (at three different doses), and the protease inhibitor on its own. It showed Ro-31-8959 monotherapy at 600mg was

almost as good as AZT on its own. But when combined with AZT at 600mg there was a significant increase in the CD4 count.

A 2½-year study by Professor Paul Volberding at the University of California in San Francisco suggested AZT was of most benefit in HIV-positive patients whose CD4 count was above 300. There appeared to be limited benefit for those with counts below 300. Editorial comment, Page 11; Technology, Page 8



UN soldiers from Pakistan patrol the Somali capital Mogadishu after looters had rampaged through offices of Muslim Relief UK, an aid agency, in the first serious outbreak of looting in the capital since December. Following the killing of 23 Pakistani "blue helmets" on Saturday, most aid workers have been evacuated or moved into freshly fortified compounds. Meanwhile, four US military warplanes have arrived in neighbouring Djibouti to take part in a possible retaliation for the killings

Pakistan faces big budget hole

Farhan Bokhari looks at the country's revenue and spending books

PAKISTAN'S looming cash crunch and fears of slow growth are worrying policy makers as the country prepares for its annual budget on Monday.

The fiscal year ending this month is expected to close with one of the highest budget deficits in Pakistan's history. That is expected to be around Rs100bn (£2.5bn) or over 7 per cent of gross domestic product, up from an earlier projection of Rs55bn or 5 per cent of GDP.

According to government estimates, annual growth is expected to drop to just under 4 per cent, down from a target of over 6 per cent. In large part, the fall has been caused by a nearly 25 per cent short-fall in the expected cotton output after floods last year which hit crops in the heart of Pakistan's cotton belt.

Output in the agriculture sector is expected to suffer badly. Last year's growth rate of 6.4 per cent in agriculture is expected to drop below 4 per cent, while the sector's overall contribution of 26 per cent to GDP is certain to fall.

Cotton production is expected to be about 9m bales, down from the projected 12m bales. As a result, the textile sector has been affected too. One evidence of the importance of cot-

ton is that 58 per cent of last year's exports came directly or indirectly from the crop.

"Reducing the fiscal deficit which means raising more resources and reducing expenditure has emerged as the top priority item for us. If we cannot do this we cannot even sustain the reform programme," says Mr Sartaj Aziz, the finance minister.

Mr Aziz plans to narrow part of the resource gap through taxation of consumption rather than investments, as a way to encourage business expansion while also raising more revenues. This may include higher revenues through a general sales tax and central excise duties on industrial output.

However, the minister agrees that there are limitations on

the extent to which the division of expenditures can be changed around. Nearly 60 per cent of Pakistan's budget is expected to remain committed to national defence and debt servicing.

Mr Aziz hopes that the results of the government's economic reform programme and its privatisation efforts will help compensate for areas where public investment would otherwise be needed, such as creating employment. Despite concerns over the economy, the finance minister expects a rapid turn around and growth rates jumping up to 7.5 per cent, if cotton output recovers next year.

One of the issues connected to deficit reduction targets is that of Pakistan's commitments to international financial institutions. Pakistan has recently been negotiating with the International Monetary Fund for a \$1bn (\$600m) loan under an extended structural adjustment facility. In the past, senior officials have said that bringing the deficit down to 5 per cent of GDP, recommended by international donors, would require difficult measures.

"Because we are in a growth situation where we have to make investments in infrastructure and the social sec-

Li Peng expected back in limelight

MR LI PENG, China's prime minister, is expected to emerge from more than six weeks out of the public eye to receive Mr Mahathir Mohammed, Malaysian prime minister, expected in Beijing at the weekend, writes Tony Walker in Beijing.

Mr Li, aged 65, who has been seriously reported to have suffered from a heart attack or to have contracted a bad cold, has not been sighted since he abruptly cancelled an appointment to receive President Fidel Ramos of the Philippines on April 26.

Mr Wu Jianmin, foreign ministry spokesman, told reporters yesterday: "Premier Li Peng is doing very well in his recovery and he will receive Prime Minister Mahathir personally."

Mr Li's lengthy absence from public view has fuelled speculation about his political well-being and has also enabled leadership rivals to assume a higher profile.

He is blamed by many Chinese for ordering the crackdown on pro-democracy protesters in Beijing's Tiananmen square in 1989 that ended in massacre.

Asians challenge west on human rights

By Kieran Cooke in Kuala Lumpur

A CONFRONTATION is looming between the west and Asia on human rights.

Next week a United Nations world conference on human rights - only the second of its kind since the second world war - opens in Vienna.

Several Asian governments say they intend using the conference to expose what they consider to be western hypocrisy and selectivity on human rights questions. In particular they seem intent on confronting a new US administration which they feel is intent on increasingly linking human rights and trade and aid issues.

Malaysia and Singapore have been making the running in articulating the so-called Asian approach to human rights questions. This encompasses two main elements: Cultural relativism. While accepting certain basic human rights, such as the right against arbitrary killing and torture, human rights should also reflect local cultural and historical factors.

Singapore officials accuse the west of arrogantly imposing its concepts of human rights on the rest of the world.

'Forcing developing countries to follow western perceptions is unjust'

They say the west's smugness must be punctured and contradictions of its position exposed. Asia must have a different approach: it should carefully sift through western inspired ideas on human rights to find elements acceptable in the local context.

Malaysia says it will not accept finger wagging by the west. "Each country is entitled to its own perception of human rights and forcing developing countries to follow the western perception is unfair and unjust," says Mr Musa Hitam, a leader of the Malaysian delegation to the conference.

● Economic development. This emphasises that human rights cannot be divorced from economic development. At a conference in Bangkok earlier this year Asian countries signed a declaration saying economic development was "a universal and inalienable right and an integral part of fundamental human rights."

"Malaysia views development as very basic to human rights," says Mr Musa. "Civil and political rights should come almost automatically after development has been achieved."

Both these ideas are likely to come under fire in Vienna. Human rights groups dispute that there is a consensus among Asian countries on the issue: for instance, they say, Japan differed radically with China on human rights at the Bangkok conference.

Ms Sidney Jones, of the human rights body Asia Watch, says human rights must be seen as an international issue. "If governments and their security forces are primarily responsible for human rights violations, it is illusory to think that the same governments are best equipped to protect human rights...the only possible way...is to acknowledge from the outset that responsibility for protection transcends national boundaries."

Amnesty International accuses governments in Asia of condemning the Vienna conference to failure. Mr Pierre Sane, Amnesty's secretary general, says many governments in Asia consider international protection and monitoring of human rights as interference and an attempt by the west to cut their competitiveness.

"What is at stake here is the rights of the workers in Asia," says Mr Sane. "If they are respected, products coming from Asia will be more expensive. And therefore the economic competitiveness of countries like China, Indonesia, Malaysia - the new and emerging tigers - will be threatened."

"It is a very linear concept of development where you fill the bellies first, and then you provide people with freedom," says Mr Sane. "Maybe 100 years ago the universal consciousness could accept that to industrialise you crush a whole generation. But it is not acceptable in 1993."

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Burmese military to stay in power

By Chit Tun in Rangoon

BURMESE have been told by their military government that it will never hand over power to a civilian government popularly elected in 1990.

Li Gen Myo Nyunt, chairman of the military-convened National Convention Commission, told a plenary session of the convention only that the regime would be willing to share power on terms designed to preserve the military's dominant role in national politics.

And power-sharing in this manner is to be enshrined as a fundamental and permanent principle in a new constitution now being drawn up. Some 700 convention delegates will begin discussions today on the "fundamental principles of state" to be written into the constitution.

The general has proposed a presidential form of government where actual power is wielded, not by the prime minister elected by parliament, but by an executive president chosen by an electoral college. He has also suggested that the president should be experienced in military as well as political, economic and administrative affairs.

Acceptance of this suggestion as a constitutional principle would mean that no one without military experience could be elected president.

The new constitution will also provide for a parliament of two chambers, but as proposed by the chairman, the legislators will not be limited to those elected by popular vote but include a certain number (to be specified later) of those nominated by the defence service commander-in-chief, presumably from among military personnel.

No mention was made of the basis on which the prime minister should be elected and on his role is vis-à-vis the president. But it is conceivable that only a nominated military member of parliament, or a civilian elected MP acceptable to and supported by military MPs, would be elected as prime minister.

In the executive branch of the government, some posts would be reserved for military officers, with the defence services commander-in-chief having virtually unfettered powers in times of emergency.

Iran set to choose president it knows

Parichehre Mosteshar explains why Rafsanjani is a certain victor in an election today

ONE OF the few certainties in Iran is that Mr Ali Akbar Hashemi Rafsanjani will continue to be president after elections today.

Of the 128 people who applied to succeed him, only three were approved as candidates. Two of them are good friends of his and the other is a former member of parliament who has of late consistently failed to win re-election.

Of the three, Mr Ahmad Tavakkoli, a former minister and economics editor of the Resalat newspaper, which represents the interests of the bazaar merchants, has appeared the most credible challenger.

A former labour minister and government spokesman in the post-revolutionary cabinet of Mr Bani Sadr, now exiled in Paris, he has been a leading critic of the slow pace of reforms aimed at introducing a free-market economy.

Even so, Mr Tavakkoli's attacks have been directed more at members of the fourth parliament elected since the revolution, rather than at Mr Rafsanjani. The Majlis (parliament), elected last year on a pro-Rafsanjani, free-economy platform, has not provided the unquestioning support that had been expected. As a result it is being portrayed by the government as the key factor in the country's continuing



Rafsanjani: the worse things get, the more secure he appears

economic decline.

The second candidate in the election today, Mr Abdullah Jasbi, chancellor of the Azad University (Islamic Open Uni-

versity), owes his survival in the post to Mr Rafsanjani. The university is Mr Rafsanjani's brainchild, even if it produces graduates with degrees that

few employers accept. Mr Jasbi has appeared understandably reluctant to bite the hand that feeds him.

Mr Rajabali Taheri, the failed Majlis candidate is very much an also-ran.

This triumvirate has also bolstered the impression that there were no more substantial challengers to Mr Rafsanjani, and there was no other figure who could produce the charisma which the Iranian people demand of their leaders. A shattered economy, a fragmented domestic opposition and an ineffective exiled alternative, have left the people with one option: the president they know.

Yet only a year ago President Rafsanjani was the hope of the nation. Merchants saw him as source of new income, industry liked to believe that foreign investment would pour in once the left was eliminated, and the ordinary man (and especially the woman) looked forward to an easing of the draconian social restrictions that ruled their every movement.

Instead, the recent partial unification of the exchange rate has increased inflation. During the past two years the market has been flooded with foreign goods, often imported at unrealistic exchange rates, with the result that many foreign products were cheaper in Iran than in the country of ori-

gin. The bazaar flourished but inflation remained the biggest cause of discontent.

The irony is that the more economic conditions have deteriorated, the less likely it has become that Mr Rafsanjani would be deposed. The left, which believes in a controlled economy, needed a complete collapse of the system as proof that Mr Rafsanjani's policies were not working.

The riots last summer in five cities caused alarm among the clerics, especially in the camp of Ayatollah Ali Khamenei, the spiritual leader, who blamed the trouble on the pace of reform. Opposition to the president from above has in turn partially paralysed the government and its reforms.

One effect will be to force Mr Rafsanjani to compromise on the composition of his next cabinet. Speculation centres on the vice-presidency which is held by Mr Hassan Habibi, a Rafsanjani protégé, is likely to depart and may be replaced by Mr Ali Akbar Velayati, the foreign minister.

Although Mr Rafsanjani is certain to win today, his longer-term survival must still depend on his ability to turn the economy around. The exercise of the regime's particular form of democracy matters less to the public than economic benefits and greater social freedom.

مكتبة من الكتب

ARE YOU GETTING YOUR FT COMMENT DAILY?

Close contest for leadership of Canada

By Bernard Simon in Toronto

THE race for the leadership of Canada's ruling Progressive Conservative party has turned into a neck-and-neck contest between Ms Kim Campbell, defence minister, and Mr Jean Charest, environment minister.

The contest, based on personalities rather than policies, is reflected in the feverish last-minute campaigns by both front-runners to secure the loyalty of the 3,800 delegates attending the party convention this weekend in Ottawa.

The winner, to be chosen by secret ballot on Sunday afternoon, will succeed Mr Brian Mulroney as prime minister and lead the Conservatives in a general election this year.

Opinion polls, which have given Ms Campbell a seemingly unassailable lead, still give her the edge among delegates committed to one of the five candidates. But the 54-year-old Mr Charest has made a strong showing.

Conservatives were initially excited by the idea of having a bilingual woman from British Columbia at their helm. But Ms Campbell has since been

characterised as a prickly intellectual, her French has turned out to be less fluent than she had claimed, and attention has been drawn to her being twice-divorced.

The Globe and Mail newspaper said in an editorial this week that she displayed "a brittleness, a nervous insistence on the rightness of her cause that will not wear well with time." Also, it applauded Mr Charest for "a quick mind, a likeable demeanour and a plain way of speaking."

His main drawback remains the unease among Conservatives about choosing another Quebecer as their national leader - he is a staunch federalist, committed to protect the rights of Quebec's English-speaking minority.

But the Charest camp has been lifted by the endorsement by two of the party's most influential English-speaking ministers - Mr Joe Clark, ex-prime minister, and Mr John Crosbie, fisheries minister.

Convention delegates and the public have few clues to how Ms Campbell or Mr Charest would tackle Canada's economic and social issues.



Anti-establishment mood hits Democrats

Jurek Martin analyses off-year US elections

THERE are usually thin, but interesting, political pickings in off-year US elections. Typically the incumbent in the White House, new or old, suffers setbacks, but local rather than national personalities and circumstances tend to predominate.

But even this caveat cannot disguise the fact this year's returns are already proving worrying to President Bill Clinton and the Democratic party, as they contemplate defence of their House and Senate majorities next year.

From California to New Jersey the anti-establishment mood of the country seems as strong as ever and the Democrats, under a president whose own popularity has been sinking alarmingly, now constitute the larger part of that establishment.

In Los Angeles, the new mayor is Richard Riordan, a Republican in the Ross Perot image, victor over Michael Woo, the Democrat embraced by Mr Clinton. There is a new Republican senator from Texas, Kay Bailey Hutchison, and a strong Republican challenger, Christine Whitman, for Governor Jim Florio's hold on New Jersey.

Two solid Democratic House seats, those formerly occupied in Wisconsin by Les Aspin, now defence secretary, and in California by Leon Panetta, budget director - have been retained but with sharply reduced majorities. In Virginia, a very conservative Republican gubernatorial candidate is making waves, as is one-time Colonel Oliver North, of Iran-Contra notoriety, who is eyeing a senate run next year.

The Democratic defence lies mostly in local explanations, which certainly have some validity in Los Angeles and Texas. There is both interest and concern in whether Mr Riordan, a political novice, can apply business techniques successfully to make his troubled city feel and work better than decades of political management have. If he does, then the broader anti-establishment cause represented by Mr Perot may take further flight.

In Texas, it hurts the Demo-

crats to have their state establishment, under Governor Ann Richards, so rebuffed and for their US senate majority to have dropped by one to 54-46. But at least they take consolation in the fact that Bob Krueger, the interim senator filling in for Lloyd Bentsen, now treasury secretary, was not only a terrible candidate but also almost always voted against

Mr Maynard Jackson, the mayor of Atlanta, has announced he will not seek a fourth term for "compelling personal reasons", Barbara Harrison writes from Atlanta. The popular Mr Jackson, who recovered from heart surgery last year, had been considered unbeatable in the election in October. Being without an heir apparent, he leaves the political field open. Atlanta is solidly Democratic and unlikely to change.

Mr Jackson, who in 1973 became the first black mayor of a large US southern city, served the limit of two consecutive terms, then returned after Mr Andrew Young, former US ambassador to the United Nations, had served two terms. The biggest challenge facing the next mayor will be preparing to host the 1996 Olympic Games.

the president in any case and was rewarded with no presidential assistance.

The more representative contests to come this year are the governor races in New Jersey and Virginia. The campaigns of both Ms Whitman, who nearly upset Senator Bill Bradley in 1990, and Governor Florio are being managed by two heavy-weight strategists, with Ed Rollins, the Republican guru who briefly worked for Mr Perot last year, in the Whitman corner, and James Carville, the Clinton electoral mastermind, advising Mr Florio.

The governor has recovered remarkably from the pits of unpopularity brought on by his introduction of sharp tax increases, while Ms Whitman had a tougher than expected primary this week. Mr Rollins wants to make the contest a referendum on the Clinton administration, of which he

considers Mr Florio a precursor. Polls show the two running evenly.

More surprising, one survey showed a similar result in Virginia where George Allen, a conservative Republican, and Mary Sue Terry, a moderate Democrat, are bidding to succeed Governor Doug Wilder, who cannot run for another term.

George Allen is a revered name in Washington and its populous Virginia suburbs, because 20-plus years ago the candidate's eponymous father was the coach who turned the hapless Redskins into a winning football team. But even this illustrious association had seemed less important than the fact that Virginia politics, no longer the realm of reactionary Democratic families and reflecting suburban values, have become much more moderate, as witnessed by the election of Governor Wilder, who is black.

Virginia's national importance is that it is the next big electoral test of the power of the religious right, which last weekend dominated the Republican convention in Richmond that nominated Mr Allen. It rapturously welcomed Mr North, especially his endorsement of the long-standing ultra-conservative demand that English be made the only official language in the US.

Most local pundits still think that Ms Terry, a former state attorney general, should beat Mr Allen in the autumn if the fractious Democrats get out the vote. But it is conceivable that next year Mr North could profit from the bitter personal hostility between Mr Wilder, a likely senate candidate, and Mr Chuck Robb, the sitting Democratic senator.

The worst blow for the Democrats and Mr Clinton would be victories for Mr Allen and Ms Whitman. They would instantly be compared with the stunning Democratic triumph by Mr Harris Wofford in the Pennsylvania senate special election in 1991, a result that marked the beginning of the end for President George Bush. Mr Clinton has troubles enough already.

Argentine defence company probed

By John Barham in Buenos Aires

ARGENTINA'S tax department yesterday said it was investigating allegations that a state-owned company had evaded taxes on a large scale.

Mr Carlos Tacchi, revenues secretary, yesterday confirmed the department was investigating claims that the company, Edecasasa, had used fake receipts to evade the equivalent of \$1.5m in tax since 1990. The company is 51 per cent owned by the defence ministry.

Mr Ederm Gonzalez resigned two months ago as defence minister to lead the ruling Peronist party's congressional

election campaign in Buenos Aires, where corruption is a leading issue. The elections are due in October and the affair could offer new ammunition to the opposition.

Edecasasa holds, at Buenos Aires international airport, a monopoly over bonded warehouses which the defence ministry has been under pressure from the US embassy and the economy ministry to break.

President Bill Clinton is expected to mention Edecasasa's monopoly, and US suspicion of corruption and drug smuggling at the airport, when he meets Argentine President Carlos Menem in Washington on June 29.

US SUPREME COURT VACANCY

Breyer in strong challenge

By Jurek Martin in Washington

PRESIDENT Bill Clinton is thought to be leaning towards Judge Stephen Breyer of Massachusetts to fill the vacancy on the US Supreme Court.

The only semi-official word from the White House is the president is considering a short list of two, Judge Breyer and Mr Bruce Babbitt, the interior secretary who had appeared the favoured choice earlier.

The prospective removal of Mr Babbitt from the cabinet has upset environmentalists, who rate him highly. Republican, who think the choice would be too "political", and some of Mr Clinton's own

advisers, who cannot see the point of entertaining a confirmation battle for a new interior secretary.

The president's stated criteria for a new justice are broad legal experience, preferably elective office, and "a big heart".

He is also inclined towards someone he knows personally. Mr Babbitt, former attorney-general and governor of Arizona, fits this bill.

Judge Breyer, recovering from a road accident, is in many respects Mr Babbitt's opposite, though both graduated from Harvard law school. Appointed to the federal bench by President Carter, he

is, at 64, chief federal appeals court judge for the circuit based in Boston and has spent most of his life in academia and the law.

He has good political connections, most obviously with the Kennedy family, and a solid legal reputation as an intellectual, pragmatic jurist sufficient to have won the approval of some Republican senators.

Judge Breyer has placed his legal stamp on sentencing guidelines, airline deregulation, fair housing and freedom of the press. If nominated and confirmed, he would be the first Jew to serve on the court since Justice Abe Fortas resigned in 1969.

NEWS: WORLD TRADE

£500m BAe military jets for Indonesia

By David White, Defence Correspondent, in Paris

BRITISH AEROSPACE yesterday announced a contract estimated to be worth £500m to supply Hawk combat trainer jets to Indonesia.

The deal, signed secretly last week, is the biggest military export the company has made outside Saudi Arabia.

The sale involves 24 aircraft with weapons, spares and training. It is likely to be controversial because of Indonesia's human rights record in the former Portuguese territory of East Timor.

Although the Hawk is primarily designed as a trainer, BAe's promotional literature makes clear it is also well suited to ground attack.

BAe refused to comment on the specifications of the aircraft being sold, or whether they included the dedicated single-seat fighter version, the Hawk 200, as well as the twin-seat Hawk 100. A BAe spokesman said they could all be regarded as being for training purposes.

The contract, which follows protracted negotiations, was delayed by a recent reshuffle of Indonesia's top military commanders by President Suharto.

Mr John Cahill, BAe's chairman, who announced the sale at the Paris air show, said it had been "a very long struggle".

The deal will bring extra work to BAe's plants in northern England. It includes Rolls-Royce engines worth £50m.

It leaves open the possibility of a further order. BAe and IPTN, Indonesia's state aircraft construction company, signed a collaboration agreement two years ago.

Mr Bacharudin Habibie, IPTN's chairman, has indicated that the country could require up to 96 of the aircraft. Indonesia already has 20 older-version Hawks, bought in the early 1980s.

The deal provides an additional boost for UK arms exports, which are expected to show a further increase this year after an estimated £5bn order intake in 1992, up from £3.5bn the previous year.

It follows a long-awaited agreement in January to sell 48 more Tornados to Saudi Arabia in a package worth up to £5bn.

BAe has still to finalise the Tornado contract. Payment is due to be made through a special allocation of 100,000 barrels a day of Saudi oil, in addition to the 500,000 barrels already set aside for UK defence supplies.

Saudi Arabia is also expected to buy more Hawk aircraft from BAe. A further deal is under negotiation with India.

British Aerospace announced a \$250m (£162m) order from a US corporate jet operator, Executive Jet Aviation of Columbus, Ohio, for up to 20 BAe 125-1000 executive jets, adds Paul Betts in Paris.

British Aerospace said that Executive Jet Aviation has purchased six BAe 1000 and has taken options on an additional 14 aircraft.

BAe has just sold its corporate jet activities to Raytheon of the US for £250m but will continue to build the structure for the 125 family at Chester for at least the next three years.

Corning optical fibre for Russia

CORNING, the US specialty glass and materials company, yesterday announced a long-term agreement to supply optical fibre to Russia for use in its planned new civilian telephone network, writes Andrew Fisher.

The All Russian Scientific Institute of the Cable Industry and four Russian cable manufacturers will buy the optical fibre for use in making fibre optic cable. They will also consider manufacturing optical fibre using Corning's technology.

Mr Iyaslav Peshkov, director of the institute, said Russia planned to build a telecommunications network compatible with those in western Europe.

Brittan-Kantor

European Community External Trade Commissioner Sir Leon Brittan said yesterday he would meet US Trade Representative Mickey Kantor next week as part of preparations for a market access accord for the G7 summit of leading industrial powers in Tokyo next month. Reuter reports from Brussels. The date and venue have to be confirmed.

Ladas are coming

Russia hopes to sell more than 200,000 Lada cars in the European export market this year - almost a third of projected 1993 output, Mr Vasily Latyshev, deputy general manager of Volga Auto Works, said yesterday. Reuter reports from Moscow.

China contract

Pacific Dunlop, the Australian industrial company, has been awarded a \$A70m telecommunications contract in China, Bruce Jacques reports from Sydney. The contract, awarded to Pacific Dunlop subsidiary Olex Cables, involves the laying of 3,150 kilometres of optical fibre cable and transmission equipment, linking the cities of Lanzhou, Urumqi and Yining in north-west China.

Balladur urges caution in market access talks

By Lionel Barber in Brussels

MR Edouard Balladur, French prime minister, yesterday called for caution in the Uruguay round market access negotiations and singled out labour-intensive industries for special treatment.

In a rare personal presentation to the European Commission, Mr Balladur said that the high rate of unemployment in Europe meant that EC customs duties on textiles, aluminium, steel and chemicals should be gradual and accompanied by strengthened GATT disciplines.

The French prime minister also repeated that the US-EC agreement last year on farm export subsidies, known as the Blair House agreement, was unacceptable in its present form. EC officials had been braced for the ritual denunciation of Blair House, but Mr Balladur's remarks on market access were viewed as

potentially troublesome.

One senior EC official said it showed that France intends to keep Sir Leon Brittan, the Commission's chief trade negotiator, on a tight leash as market access negotiations by the EC, US, Japan and Canada enter a critical stage.

Sir Leon, however, remained unruffled. "Nothing has changed. The Commission thinks the Blair House agreement is a good agreement and we should stick to it." He added that all sides agreed on the need to make progress in the Uruguay Round and to advance rapidly to an ambitious market access package for goods and services.

The aim was an outline agreement at the G7 industrialised nations' summit in Tokyo next month. Talks would return to agriculture only at a later stage, he said.

Mr Balladur's visit to Brussels was seen as a chance for

the prime minister to let off steam on trade, two days after France had quietly agreed to ratify the EC-US agreement on oilseeds, a vital building block for an overall deal in the Uruguay Round negotiations.

In his speech to the Commission, Mr Balladur said that trade reform should aim at opening protected markets in high-growth zones of Latin America and south-east Asia.

Europe must not be exposed to stiffer competition from countries which had weak social security and lax environmental safeguards, or those which engaged in deliberate currency depreciation in order to expand export markets.

Mr Luc Guyau - president of the main French farmers' union, FNSEA, also in Brussels yesterday - welcomed Mr Balladur's rejection of the Blair House accord, saying it was essential to react against US farm trade aggression.



Edouard Balladur: Making potentially troublesome remarks

Japan-US economic accord 'distant'

By Peter Norman in Tokyo

JAPAN AND THE US will need more than one meeting before they reach an agreement on a new framework to govern their economic relations, one of the Japanese negotiators said yesterday.

Speaking shortly before his departure for preliminary talks in Washington, Mr Koichiro Matsuura, deputy minister for foreign affairs, told a group of visiting journalists that there was a big divergence of views between the two sides, and that it was difficult to see what kind of agreement could be reached.

Rejecting US demands for numerical targets to reduce Japan's current account balance of payments surplus, Mr Matsuura said that Japan did not regard its voluntary restrictions for car exports to the European Community - or the semiconductor agreement encouraging US producers to take 20 per cent of the Japanese market - as desirable pre-

cedents for regulating trade.

He said voluntary export curbs were not in accordance with the goal of the Uruguay Round of trade liberalisation talks, which the leading industrial countries have promised to complete by the end of this year.

The Japanese government now regards the semiconductor agreement as a bad precedent which should never be repeated, he added.

However, there have been signs from Washington that a softer line towards numerically managed trade is being adopted, as part of attempts to make progress towards a US-Japan agreement.

Mr Matsuura will be accompanied, at the talks today in Washington, by Mr Tadeo Chino, deputy minister for international affairs at the Japanese ministry of finance, and by Mr Noboru Hatakeyama, deputy minister for international affairs at the ministry for international trade and industry.

Washington focuses on six difficult sectors

By Nancy Dunne in Washington

SIX sectors are emerging as the US focus in tough US-Japan trade talks, to begin in Washington today, along with a general conviction that Japan must be brought to make a serious commitment to reduce its overall current account surplus.

The six sectors, comprising 65 per cent of Japanese exports to the US, are: cars, car parts, computers, supercomputers, electronics and semiconductors.

Mr Mickey Kantor, US trade representative, noted these are the areas where US companies have had difficulty penetrating the Japanese market, despite many previous negotiations and agreements.

The lone exception seems to be semiconductors, where the Japanese last year surprised everyone by surpassing an agreed 20 per cent target for foreign penetration.

This brought the Clinton administration to a view that "results-oriented (pacts) work".

A target of sorts was agreed for the US auto parts sector last year, during President George Bush's ill-fated trip to Tokyo.

Real progress on cars and parts is seen as vital

The deal included a commitment by Japanese automakers to more than double their purchases of US-made car parts to \$19bn by 1994.

Real progress on cars and car parts is considered vital. Of the \$50bn US trade deficit with Japan, vehicles and vehicle parts account for \$30bn. About \$10bn of that is car parts.

In the US, American parts companies have been losing business while Japanese car transplants have been buying

from Japanese parts transplants.

This may have begun to change. Toyota has increased its purchases of parts in the US by 40 per cent, Nissan by 50 per cent.

Mr Kantor has acknowledged that the Japanese "have opened it to some degree with the transplants." Purchases are running at about \$12-13bn a year.

However, US Commerce Department figures do not distinguish between purchases from US parts-makers and Japanese transplants.

"We were supposed to have a concentration on traditional [American] US auto parts suppliers," Mr Kantor said, "and we believe that has not taken place to the degree that it should."

The US also will want to go past numerical considerations and on to examining Japanese competition policy of the sort which keeps out foreign car dealers.

ARE YOU GETTING YOUR FT COMMENT DAILY?

Tory cabinet launches counter-attack on Lamont

By Philip Stephens, Alison Smith and Ralph Atkins

● Major shrugs off 'little local difficulty' ● Early election demand rebuffed

MR NORMAN Lamont yesterday faced a barrage of invective from his erstwhile colleagues as Mr John Major's government struggled to regain its balance in the wake of this week's onslaught by the former chancellor of the exchequer.

In a further explosion of bitterness following Mr Lamont's dismissal two weeks ago, Sir Norman Fowler, the Conservative party chairman, accused him of "thrashing around" in a "nasty", "ludicrous" way to protect his own reputation.

Others among his former cabinet

colleagues said Mr Lamont's assault on Mr Major's leadership would be a "nine-day wonder" as ministers and senior MPs launched a damage-limitation exercise to defend Mr Major.

Amid a calmer but still-bitter mood at Westminster Mr Lamont found himself accused of being "third-rate" by one minister who only two weeks ago had sat with him around the cabinet table.

Conservative officials suggested a decision by the party last year to help the chancellor meet personal legal bills had created a backlash

among Tory supporters which had cost it hundreds of thousands of pounds in donations.

In the House of Commons Mr Major sought to make light of Mr Lamont's accusations his government acted as if it was "in office but not in power". Evoking the phrase used by the then Mr Harold Macmillan when he sacked his chancellor in 1958, Mr Major said the events represented a "little local difficulty".

Brushing aside calls from Mr John Smith, the Labour leader, for an early general election, Mr Major said

he had no intention of commenting further on Mr Lamont's statement.

But the prime minister will use a speech today to the Welsh Conservative party to rebut Mr Lamont's claims, that his government is preoccupied with the short term political impact of policy decisions. He intends to stress his long-running commitment to keeping Britain at the centre of debate on Europe's future and to beating inflation.

But the growing perception among its own supporters that the government is consistently accident-prone

was reinforced last night the leak of proposals by Mr Peter Lilley for large cuts in the Ministry of Agriculture's more relaxed performance in the Commons was followed by a carefully-crafted statement issued by the Executive of the 1922 Committee, the senior group of Tory MPs. The statement, agreed unanimously, offered the prime minister "100 per cent support".

Speaking after the weekly meeting of Conservative MPs, Sir Marcus Fox, chairman of the committee, said the statement had won a "rap-

turous reception" from the 150 or so backbenchers present.

But the atmosphere of nervous calm did little to disguise concern among ministers and backbench MPs that Mr Major's leadership remains in question.

Groups of right-wing MPs opposed to the Maastricht Treaty were said to be actively considering a challenge to the prime minister if the government loses the forthcoming Chichester by-election. There were fears also that Mr Lamont might seek to launch further attacks on the prime minister.

Joe Rogaly, Page 10

Officials told to take notice of whingers

By John Williams, Public Policy Editor

THE Citizen's Charter has found a new ally in the struggle to raise the quality of UK public services - the whinging pom.

For generations, the great British moaner has been an object of ridicule and even the target of a wartime advertising campaign: "Don't be a moaning minnie". Top of the list for the professional groucher are public services such as British Rail and the privatised utilities.

The Cabinet Office Citizen's Charter Unit wants the public services and utilities to take seriously the gripes and grumbles of their users, and use them to improve services.

The Citizen's Charter was launched by Mr John Major, prime minister, in 1991 to raise the standard of public services.

More than 30 charters covering individual services have since been published, setting out the standards of service the user can expect and giving details of the redress available when services fall below standard.

"Complaints are a valuable management tool in identifying weak areas in service provision," Mr David Davis, the junior public services minister, said yesterday.

He was launching a new Complaints Task Force to help the public services hone up their handling of disgruntled customers.

People in the public services should not be defensive about complaints but should see them as an opportunity to improve themselves, said Mr Davis.

It was all a far cry from Mrs Thatcher's heyday, when Mr Bernard Ingham, No 10's irascible press supremo, used to lambast the moaning minnies who complained about unpopular government decisions.

Commanding the new task force will be Lady Wilcox, the glamorous businesswoman who has been making waves at the National Consumer Council. She will lead a six-person team of ombudspersons and customer service specialists in drawing up a whinger's charter.

She wants to make sure that the Citizen's Charter is about more than being "fobbed off with a five when things go wrong". "People want to know that their complaints will lead to the service being improved," she said.

She may, however, be misjudging why the British are so fond of complaining. "It's being so miserable that keeps us going," so the saying goes.



Alan Sugar, chairman of Tottenham Hotspur football club, arriving at the High Court in London yesterday where he alleged that Brian Clough (right), former manager of Nottingham Forest, "likes a bung" - a personal payment - to make transfers go smoothly

Unorthodox soccer payments alleged

By John Mason, Law Courts Correspondent

LONG-STANDING claims that unorthodox financial practices are commonplace in British soccer surfaced publicly yesterday when it was alleged that Mr Brian Clough, the former manager of Nottingham Forest football club, received personal payments when transferring players to other clubs.

The claim was made by Mr Alan Sugar, the Tottenham Hotspur chairman, in an affidavit submitted to the High Court hearing into his attempt to sack the club's chief executive, Mr Terry Venables.

The allegation was strongly denied by lawyers for Mr Venables, who went on to claim that Mr Sugar had attempted

to pervert the course of justice by issuing threats against Mr Jonathan Crystal, a fellow Tottenham director and ally of the chief executive, concerning evidence he intended giving to the court.

In his affidavit, Mr Sugar claimed that when Mr Venables was trying to buy Mr Teddy Sheringham, the England international, from Nottingham Forest for £2.1m, he told the Spurs chairman that Mr Clough "likes a bung" - a personal payment - to make transfers go smoothly.

Mr Venables had told him the usual procedure was for Mr Clough to be met in a motorway service station where he would be given a bagful of money, Mr Sugar claimed.

The allegation was strongly

denied by both Mr Venables and Mr Clough. In a similar affidavit submitted to the court, Mr Venables described the claims as "bizarre" and "a lot of nonsense". Mr Clough also denied that any money had passed between himself and Mr Venables over the transfer. "The last time I was in a motorway service station, I went for a wee," he said.

Alleging that Mr Sugar had attempted to pervert the course of justice over the hearing, Mr Martin Mann QC, for Mr Venables, said the Spurs chairman had threatened Mr Crystal, a barrister, unless he dropped crucial evidence from his affidavit. A separate hearing on this issue is set to start next Monday.

Relations between the two

men have now deteriorated to such an extent that one of them had to sell their shares and leave the club, Mr Mann said.

He accused Mr Sugar of reneging on an agreement, reached when the two men first took control of the club in June 1991, that they would retain equal voting rights.

After the club's rights issue in November 1991, when Mr Sugar extended his stake in the club from 23 per cent to 46 per cent, the chairman began a campaign to undermine Mr Venables' position, he said.

In one case, Mr Sugar negotiating a deal with Sky-B, the satellite channel, without making any reference to Mr Venables, Mr Mann said. The hearing is expected to end today.

Football clubs risk own goal on tax evasion

The Inland Revenue has been systematically investigating tax abuses by British football clubs and players for more than 10 years. Over the same period a series of clubs have been punished for breaches of football's rules on player payments.

Reg. Burn, the chairman of Millwall, said yesterday: "Professional footballers as a body seem to think that they do not have to pay tax."

Inspectors from the Revenue's special office in Edinburgh began examining expense payments made to semi-professional clubs in the north of England at the start of the 1980s. A number of inquiries have since been conducted into both professional and semi-professional leagues.

During the mid-1980s Revenue investigators began examining suspected tax evasion in connection with transfer fees for professional players moving between clubs stretching back as far as 1981. That led to an agreement between football's governing bodies and the Revenue in 1988 setting out guidelines on ex gratia payments to players.

The Revenue's compliance and collection division also became involved into an investigation into Swindon Town football club in 1990, which led to the imprisonment of the chairman for six months.

Tax inspectors based in Solihull in the West Midlands are now co-ordinating investigations into transfer payments and other activities within professional football. A separate

FT writers trace the inquiries into Britain's national sport

team in Leeds examines the semi-professional game.

It is alleged that professional clubs have been avoiding the tax that players should pay for signing-on fees. They are thought to have done so by channelling the money to the club where a player has previously been employed, from where it is passed on as a termination payment, on which no tax is due.

Other individual probes have included examination into cash payments made but not disclosed to stewards, gatekeepers and other groundstaff.

Terry Neil, the former Arsenal player who is now a radio commentator and sports consultant, says football authorities have a duty to fully investigate the allegations of corruption within the game.

"These allegations could seriously affect soccer's popularity. It's the duty of the leaders of the game to run it properly."

The Football Association are also investigating the transfers of three Australians to English clubs: Mark Bosnich, the Aston Villa goalkeeper, and Shaun Murphy and Bob Catlin of Notts County. Both clubs are alleged to have made payments to the players' agent which break the rules of Fifa, football's world governing body.

Rising UK truck sales boost recovery hopes

UK NEW truck sales jumped by more than 22 per cent in May, indicating that one sector of the commercial vehicle market at least is accelerating towards an upturn, writes John Griffiths.

Sales of all other categories of commercial vehicles, however, remained below the severely depressed levels of a year ago.

Hopes that the important market for panel vans, typified by the Ford Transit, might also be coming out of recession appear to have been dashed by Society of Motor Manufacturers and Traders statistics.

Although the completion of the management buy-out of Leyland Daf Vans had also been expected to give last month's van market a boost, May's total panel van sales showed a 9.76 per cent sales drop compared with

the same month year ago. Some consolation for Leyland Daf Vans itself was that its share of the panel van market last month jumped to 13.67 per cent, as new orders flowed in the wake of the buy-out's completion.

Panel van market leader Ford had been the principal beneficiary of Leyland Daf Vans' problems. Its market share reaching 52.2 per cent in March. Last month, however, it dropped back to 46.5 per cent. A continuing surge in the volume of light vans imported by Vauxhall, General Motors' UK subsidiary, from Portugal played a significant role in the share of commercial vehicle sales taken by imports jumping to 38.3 per cent, from 32.06 per cent a year ago. For the year to date, the importers' share is 39.9 per cent, up from 35 per cent a year ago.

Company car costs fail to damp demand

FEWER than one in 20 company car drivers said they would give up their cars in exchange for cash compensation from their employers before a new company car tax system is introduced next April, despite most drivers expecting to pay more under the new regime, according to a survey undertaken by the polling organisation Mori.

Publication of the survey, carried out for Lex Service group's vehicle leasing subsidiary, follows a report from employee benefits specialist Stoy Benefit Consulting.

The latter, in computer analyses of the impact of the new regime, concluded that nearly six out of ten UK executives would be better off handing back company cars in exchange for extra pay and a mileage allowance to run their own cars.

Welsh Ford engine plant claims lead in productivity

By John Griffiths

FORD's engine plant at Bridgend in South Wales is now achieving greater productivity than rival Japanese car manufacturers, Ford of Europe's head of engines operation claimed yesterday.

Mr Ray Pittman, European engine operations manager, made the claim as Ford disclosed that pan-European demand for Ford's new Mondeo family car range had led to Bridgend almost doubling production of the Zeta engines which power the Mondeo, as well as some Escort, Orion and Fiesta models.

Mr Pittman said that Bridgend was capable of building 100 units an hour, while comparable Japanese plants "are currently building equivalent 16-valve engines at between

60 and 70 units per hour". Ford executives at the plant said Zeta output had reached more than double that of the CVH engines which the plant was created to make on a greenfield site in the late 1970s.

"At the peak of CVH production we needed a work force of 2,000 to produce 1,800 engines a day. Today we can produce 2,400 a day with a workforce of only 800."

The higher productivity means, however, that there is little prospect of significant job creation at the plant in the foreseeable future. The Bridgend facility, which together with a satellite components plant at Swansea employs a total of just under 1,200,

is targeting full capacity output of 2,400 Zeta engines a day by the end of

this year provided the current market slump in some key Continental markets eases, but the extra output will be achieved by transferring more employees from the dwindling amount of CVH engine production still going on at the plant.

Mr Pittman, who held out the prospect of future Ford engines being added to Bridgend's production, said that the Board of Jaguar, Ford's luxury cars subsidiary, is expected to give final approval this week to its AJ26 V8 engine programme, under which Bridgend will build the Jaguar unit at an expected rate of 50,000 a year, starting in the mid-1990s.

Output of the AJ26, in which Jaguar is investing £100m, is also expected to be achieved mainly by the existing workforce.

Britain in brief



Standards chief quits in board row

Mr Michael Sanderson, chief executive of the British Standards Institution, which co-ordinates the writing of standards for British industry, has resigned unexpectedly after just 18 months in office.

Mr Sanderson's resignation, which took effect on June 1 but which only emerged yesterday, followed "a deep disagreement with the board on important matters of policy and management."

His departure leaves the company without a chief executive at a time of growing interest in the issue of standards. BS5750, a quality systems standard, has become the focus of growing controversy with criticism from small businesses that it is unduly bureaucratic while the creation of the single European market has increased the need for a strong British voice in the writing of European and international standards.

Tec computer abandoned

A computer system developed by the Department of Employment to underpin the administration of the 82 Training and Enterprise Councils (Tecs) in England and Wales has been essentially abandoned by the Department at a potential cost of more than £50m.

The Tec complained the system was difficult to operate, had many shortcomings and did not adequately meet their needs. In all, some 7,000 errors and requests for changes to the system had been recorded by April this year.

IRA admits bombings

The IRA claimed responsibility for setting off bombs at two industrial compounds on Tyneside within 24 hours this week. The first incident, in which a Gateshead gasholder was damaged by an explosion and fire just after midnight on Tuesday, was followed late on Wednesday night by two explosions at an Esso petrol and oil storage terminal in North Shields. There were no injuries.

Sweet smell for Superdrug

Superdrug, the discount drugstore chain, has claimed a breakthrough in its campaign to cut perfume prices by announcing its first contract with a fragrance house willing to supply it directly.

The contract, with Worth Fragrances, covers two lesser mass-market brands, Je Reviens and Carven Ma Griffe. Worth welcomed Superdrug's price-cutting drive and said it was lowering its own prices to all retailers by at least 25 per cent. Until recently, the fragrance houses had refused to deal with Superdrug, which began offering discounts of up to 30 per cent on a range of perfumes at a few of its stores in late 1991.

'Landmark' for defence group

Royal Ordnance, privatised in 1987 and now owned by British Aerospace, has become the first defence company in the UK to establish a joint diversification committee to match skills and capacity to new markets for its 11 factories employing 8,000 workers.

Unions have welcomed the initiative, with the TGWU general union describing it as "a landmark in the development of a strategy to manage change as defence expenditure falls in the 1990s."

GEC Alsthom starts station

GEC Alsthom, the Anglo-French power engineering group, said it had been instructed by PowerGen to start work on the electricity supplier's planned 1,380MW gas-fired power station at Connaught Quay in North Wales.

Traffic fall

Total motor traffic was 4 per cent lower in the first quarter of 1993 than a year before, the Department of Transport said. Car traffic fell by 3 per cent, van traffic by 5 per cent and lorry traffic by 3 per cent.

Hazardous cargo convention urged

IF A TANKER carrying liquefied petroleum gas (LPG) exploded in a crowded British port tomorrow, the compensation available would be inadequate to meet likely claims, a senior government official yesterday told the Donaldson inquiry into the Braer disaster.

The inquiry is gathering evidence following the oil spillage last January when the tanker Braer ran aground in the Shetlands, losing more than 85,000 tonnes of light crude.

Mr Frank Wall, from the department of transport's international shipping policy division, told the hearing that the government is frustrated and concerned about the lack of progress in getting international agreement for a scheme to cover hazardous cargoes, although such a system exists for oil cargoes.

He explained that a convention covering the transportation of hazardous and noxious substances has still not been approved despite 20 years of diplomatic wrangling.

Mr Wall complained that under existing regulations the maximum liability in a chemical accident was between £2.3m and £3m in contrast to the £129m available in the event of a big oil spill.

"My government finds this situation unacceptable," he told the inquiry.

He told the proceedings that a draft convention is being considered by the International Maritime Organisation but has been delayed by disagreements over the definition of hazardous cargo.

Mr Wall also said Britain would apply pressure to the European Community but failing that would produce its own legislation.

The inquiry was told Ultramar, the owner of Braer's oil cargo, has obtained an injunction preventing the tanker's sister ship from sailing in a bid to provide security as part of a Canadian court battle to recover the cost of the oil. Ultramar is claiming the Braer was unseaworthy.

Insurers may quit terrorist cover scheme

By Richard Lapper

THE FUTURE of the government-backed reinsurance company which covers terrorism risks, appeared to be at risk yesterday after a bitter row over plans to introduce a swingeing premium increase.

Insurers are poised to withdraw their support from Pool Re, the company set up earlier this year, after insurers withdrew terrorism cover from commercial policies in the wake of the IRA's mainland bombing campaign last year.

Mr Ian Rushton, chairman of the Association of British Insurers, warned in a sharply worded letter sent earlier this week to Mr Michael Heseltine, trade and industry secretary, that "in future months it will be difficult to continue to maintain the active co-operation of the insurance companies in this venture."

"The present approach shows that the DTI look upon Pool Re as effectively their tool to undertake government wishes without any real need for full consultation with the insurance industry."

Under the scheme, companies insure their assets against terrorist attack with Pool Re. In the event of a claim Pool Re pays out until its own funds are exhausted.

If the claim amounts to more than the total amount available to Pool Re, the government meets at least 90 per cent of the shortfall.

Although businesses outside London will receive rate reductions, some large London buildings face rises of more than 300 per cent.

Take-up of the new terrorism policies has been more limited than expected and claims of more than £400m from the Bishopsgate bomb in April will exhaust the new company's funds and have prompted the government to press for changes in rates.

In the ABI letter, Mr Rushton said increases have been imposed without "full consultation. Very simply, the whole history of Pool Re to date shows a serious lack of willingness to work in a co-operative manner with the insurance companies."

He said that the ABI did not regard the initial target figure

Names a 40 per cent discount on commission, loans of up to 35 per cent on the value of objects sent for sale and free surveys of their goods. It promises Names "total anonymity".

Mr Miller heads a special advisory service, which is already dealing with about 2,000 Names, most of whom are seeking to raise between £50,000 and £100,000.

Sotheby's counsels Names about which objects to auction: "Some people might say 'I can't bear to sell that painting - what about the candlestick?' But we might have to point out that there are already lots of candlesticks on the market, so why don't they look at the chest of drawers?"

The main objects being sold are silver, jewellery, paintings and furniture.

● Lloyd's of London yesterday

amended rules whereby its Names can call extraordinary general meetings, amid fears that such gatherings could undermine the confidence of potential investors at the insurance market.

The decision increases the minimum number of signatures of Names - the individuals whose assets support the market - needed for a meeting to be called from 100 to 1,500.

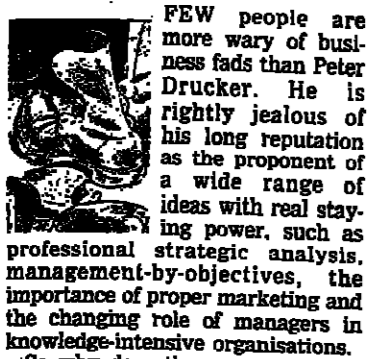
Sotheby's makes knockdown offer to Names

Sotheby's, the London auction house, is offering a special service to Lloyd's Names who want to sell family heirlooms to escape financial ruin.

"We are not coffin chasers, but we have a market where a lot of people are looking to raise capital," said Mr James Miller of Sotheby's,

The auction house offers

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FEW people are more wary of business fads than Peter Drucker. He is rightly jealous of his long reputation as the proponent of a wide range of ideas with real staying power, such as professional strategic analysis, management-by-objectives, the importance of proper marketing and the changing role of managers in knowledge-intensive organisations.

So why does the cover of a new bestseller on the latest fashion carry a ringing endorsement from the 63-year-old Drucker that "re-engineering is new and it has to be done"?

Face-to-face, Drucker concedes disarmingly that, in one sense, re-engineering is far from novel: that the radical redesign of business processes and their operation by cross-functional teams – which are the twin cores of re-engineering – has been carried out by a string of western companies for at least a decade, especially in product development and manufacturing.

Drucker claims some chemical and pharmaceutical companies have used such processes for even longer. And he traces re-engineering back as far as the radical streamlining of retail ordering and stock control which Marks and Spencer pioneered in the 1930s – using an old-fashioned cigar box, rather than today's computer, to store vital information from the tags torn off by cashiers.

So why make that claim on the book jacket? And why fuel the re-

Peter Drucker tells Christopher Lorenz why he considers re-engineering vital for western companies

A new concept placed in context

engineering fashion still further, when Drucker warns against what he calls "the disease of having a cure-all every six weeks or five years"?

The reason is certainly not, as cynics might allege, that Drucker has worked loosely in the past with Michael Hammer and James Champy, the two American consultants who wrote the book, *Re-engineering the Corporation*. The man is too honest to exaggerate the importance of something just because of a relationship. In any case, it was his belief in re-engineering which caused him to work with them in the first place. He extols the importance of "massive re-engineering" in his latest book, *Post-Capitalist Society*.

"Look, re-engineering is new because we didn't have it as a concept before", he says in conversation. Only when something is established as a systematic discipline or organisational process, he argues, does it really have an impact – even if,

"as with all such things" there is a danger that some people will see it as the solution to all their problems.

He considers re-engineering to be especially vital for Anglo-Saxon companies, because of their past enthusiasm for innovation at the expense of productivity. As he says, it was only in the 1980s that American industry turned its attention to closing the productivity gap with Japan. Hence its enthusiasm for total quality management, followed in quick succession by "lean management" and now re-engineering.

Recognising the risk that companies will turn their backs on a difficult TQM process in favour of the more glamorous promises of re-engineering, he recalls a famous English historian's comment about a 19th century statesman: that "he tried to reduce the secret of diplomacy to one law, but that even the Good Lord needed 10".

"Not one of these things by itself provides the answer," stresses Drucker. Rather than any one sup-

planting the other, they are cumulative. Together, he says they form the first of "the three fingers of keeping an organisation alive. He calls this the "continuous improvement finger," which is confusing because re-engineering is far more dramatic than the "continuous improvement" of TQM. But he is adamant they are close cousins.

Whereas this first finger is basically inward-directed, the other two deal more with a company's external strategy. The second is what Drucker calls "exploitation – or rather, extension".

He sees as the best example "the enormous product range which Sony has built out of one American product, the tape recorder". The third finger is genuine innovation – the basket into which America used to put all its eggs.

Just as mindful as he was decades ago of the need for companies to balance short and long-term priorities, Drucker sees some danger that re-engineering and other elements



Peter Drucker: fuelling the re-engineering fashion even further

of the relatively short-term "continuous improvement finger" may distract attention from longer-term strategy and innovation. But he welcomes its various facets as "focusing overdue attention on productivity improvement".

Far more clearly than Hammer and Champy, he discriminates between two types of re-engineering: the re-design of sub-processes, and the really exciting stuff which,

by reconfiguring entire processes, also alters the strategic and competitive rules of an industry.

Much re-engineering, including order-handling and a Ford parts supply process which Hammer tends to cite frequently, is of the first kind, claims Drucker. "It deals with very specific operations which are not too different from what we talked about in operations research in the 1960s."

In the second, more far-reaching category he puts the reconfiguration of complete processes such as Wal-Mart's elimination of several levels of retail stock-holding – or, for that matter, Benetton's.

These deal with the fundamental question of what work an organisation should do, rather than just with the simpler one of how to do it. As for the hotly-argued question of how to handle re-engineering and other "change management" processes, Drucker stresses that management structures, as well as the business processes beneath them need to be re-engineered. He is also in no doubt that there is little point trying to change an organisation's "culture" before altering the tasks of the people within it.

He gives two reasons. First, "culture is very largely dictated by the task – take the very distinct cultures of a hospital or a school". Second, "culture is very difficult to change – like the converted drunkard who doesn't hit the bottle again until Monday morning, backsliders always outnumber converts".

True to the erudition which has always delighted his fans, Drucker illuminates this managerial conundrum with a taste of philosophy: "I grew up an almost extreme believer in salvation by faith – I believed only in Kierkegaard. But I've learned over 60 years that, for most people, salvation by works is much more effective."

* Nicholas Brealey £16.99. Harper Business \$25.

** Heinemann £16.95. HarperCollins \$25.

Earlier articles in this series appeared on May 24 and June 2.

White's club in London. Sir Roly Split, chairman of Down-in-the-Dumps

Dredging, is poised to agree terms with Alex Smart, freshly headhunted chief executive, when the latter suddenly insists: "You will make sure that my Down-in-the-Dumps pension arrangements are as good as they were at Wizard, won't you?"

Sir Roly is nonplussed. However, in common with other chairmen desperate for talented managers at this stage in the cycle, he has no option but to agree. He settles down to coffee and cigars, uncomfortably aware that he will have to ask finance director Fred Fore how best to deliver.

Until four years ago there was no great problem; high-flying managers simply joined an approved pension scheme (with all the tax breaks). The 1989 Finance Act, however, imposed an earnings "cap" on the benefits from such schemes, with the result that other ways are needed to top

A pension headache for the headhunted

There is no easy answer when making provision for 'capped' executives, says Tim Dickson

up the pension of executives such as Smart. This year's decision by the UK Chancellor to leave the "cap" at £75,000 exacerbates the problem.

Some companies are simply paying higher salaries to "capped" executives (those who have joined their companies since 1989). This is potentially divisive in the boardroom and almost certainly the expensive option for employers.

It may also be tempting fate in the current climate of executive pay. Company law requires pension costs to be included in a company's aggregate remuneration for directors, whereas they are normally excluded from the individual "headline" figure on which media criticism is based.

The alternative to higher pay is to establish some sort of unapproved pension scheme, ideally combining the executive's desire for security with the company's need to restrict costs.

One solution is for the employer to finance the benefits on a pay-as-you-go basis. There is no pre-funding, merely a balance sheet reserve built up each year out of profits. That approach has the advantage of simplicity, but a drawback is the uncertainty for an employee. If Down-in-the-Dumps slides into receivership or liquidation – or is the object of a hostile takeover – Smart joins the list of unsecured creditors. Unfunded arrangements, moreover, create difficulties for early leavers.

None of these complications

– lack of security, penalties for early leavers – arise with a funded scheme, whereby an employer sets aside contributions in a trust fund for the executive concerned.

The up-front tax liability on contributions is off-putting. However, according to New Bridge Street Consultants, affiliated to solicitors Clifford Chance, it would make no difference mathematically were tax to be paid on the emerging benefit – on the accumulated pension assets – rather than on the up-front costs of funding them.

Assume that £100,000 could be paid into a trust fund tax free, that it doubled in value during the life of the fund, and attracted tax at the current top rate of 40 per cent when the employee cashed in his benefit. The gross

cost to the company (£100,000) and the net result for the employee (£120,000) is exactly the same if tax is settled at the outset. In this case the company pays £80,000 into the fund and a £40,000 bonus direct to the executive to settle his tax liabilities (£16,000 tax on the bonus itself, £24,000 tax on the pension contribution).

For the employee, the choice between funded and unfunded schemes may be influenced by the expected rate of income tax prevailing at retirement. Paying 40 per cent on the contributions now is a more attractive option if it is believed the top rate will be higher when ultimately applied to unfunded benefits.

More important is the rate at which the underlying assets providing the pension accumulate.

It can be argued that the internal rate of return generated on an employer's capital is the appropriate one for unfunded investments, and that in a successful company this is bound to be greater than the return on external assets (in a trust fund).

But David Reed, of Clifford Chance, says it is the marginal return on a company's assets that counts: "In any reasonably large company, contributions to a funded scheme will merely deplete the cash balances or add to borrowings."

Besides beating bank interest in the longer term, the funded route is more tax efficient. Income and capital gains incur corporation tax at the current 33 per cent rate inside a business, compared with the 20 or 25 per cent suffered by

a UK-based trust fund. Better still is an offshore scheme, which suffers no immediate tax on income or capital gains. But potential liability to tax on accumulated investment income can be a problem and smaller companies may want to avoid the extra costs of finding an offshore independent trustee.

New Bridge Street Consultants calculated the contribution rate for a 40-year-old man required to secure a pension of two-thirds final salary, with a two-thirds widow's pension, assuming a gross investment return of 9 per cent (8.5 per cent for the offshore fund), salary increases of 7 per cent and pension increases of 5 per cent.

Each year the unfunded option costs the company 78 per cent of the executive's base salary, whereas UK and offshore funded plans cost 68 per cent and 63 per cent respectively. If there were no "earnings cap" on approved schemes annual cost would be only 41 per cent.

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Shouldn't you be computing like this?

TECHNOLOGY

Safer HIV testing

Testing for HIV, the virus that causes Aids, can be a hazardous business. At least 155 health workers are reported to have been infected by the virus through needlestick injuries while taking blood from HIV-positive patients. The true number is probably higher, given poor training standards in many developing countries.

However, a number of companies are developing a method of testing for HIV using saliva rather than blood. At the Berlin Aids conference this week, Saliva Diagnostics Systems, a Washington State-based group, revealed a saliva collection technique.

A sterile cotton pad is placed in the mouth and left there for five minutes. This is then placed into a collection device for later analysis. The saliva stays stable for up to 21 days at 37°C and unlike blood does not require refrigeration. The device is sold or under evaluation in more than 70 countries. About 200,000 have been sold in Thailand.

The company claims there is no risk to either patient or health worker collecting saliva samples. This is because although saliva contains HIV-antibodies, it contains little, if any, active virus. Trials have shown that although there are lower concentrations of antibody in saliva than blood, the testing techniques allow scientists to identify nearly all HIV-positive samples.

Dr Carol Major, head of HIV surveillance at the Ontario ministry of health, said occasional errors meant the system was not fail-proof, but it was ideally suited for developing countries which could not afford widespread blood testing. Collecting saliva samples is quicker and requires less training than traditional blood collection.

Such devices can also be used to test for other diseases, as well as substances such as cocaine.

Other companies developing saliva test systems include Organics of Yavneh, Israel and Trinity Biotech of Ireland.

Paul Abrahams

Users of personal computers in the US may soon be able to recycle their old machines and buy new systems that use less energy. It is all part of a growing trend in PC markets to make computers more "green" by reducing their energy consumption and finding ways of recycling them.

With PC product cycles running at less than six months, there is a growing problem over what to do with large numbers of obsolete computers. A recent study by the Carnegie-Mellon university estimates that more than 150m PCs will be dumped in US landfills by the year 2005, with disposal costs reaching \$1bn (\$862m). In the UK, the Industry Council for Electronic and Electrical Equipment predicts that more than 800,000 PCs will be thrown away by 1995.

The American Plastics Council, which represents 23 leading plastics manufacturers, has launched a pilot project to investigate the recovery and recycling of plastic materials from computer and business equipment. Old PCs are being collected from Apple Computer, IBM, DEC, Hewlett-Packard and Xerox.

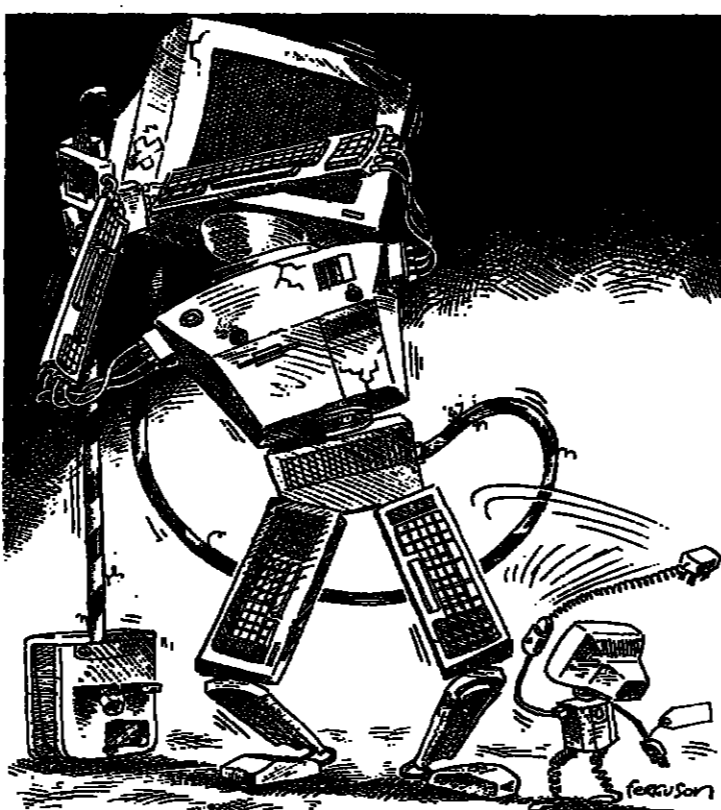
Terry Mohoruk, chairman of the APC's Computer and Business Equipment Group and manager of vinyl recycling at Geon plastics, will supervise the project which will initially search for the best way to shred and hammer computer enclosures into pieces. "Our goal is to avoid costly and inefficient manual disassembly of components," he says. The recovered plastic will be used either in making new computers or as fill in other products.

The APC is also preparing a design guide to help PC producers create products that can be more easily recycled. It is also working on a single standard for a plastic made mostly of recycled plastic. IBM already has plans to introduce PC models this summer that will contain plastics containing a blend of recycled and virgin resins.

PC designers are also trying to extend the useful life of computers by adopting modular designs. These allow users to upgrade their systems to faster microprocessors or larger hard drives by simply removing one component and retaining the rest of the system.

For example, Intel, the chip manufacturer, is working with PC manufacturers to provide special "over-drive" sockets that will allow buyers of the company's Pentium-based systems to upgrade their systems by simply inserting a newer, faster microprocessor.

As part of this trend, PC manufacturers are working to produce systems that use much less power. When idle, these desktop PCs will automatically shut down almost all functions but can be instantly



Green hue on screen

Tom Foremski on moves to recycle PCs and make them energy efficient

awakened from a "sleep" mode.

President Bill Clinton's recent executive order, that the US government should buy energy-efficient computers complying with the Environmental Protection Agency's Energy Star Program, will help increase demand for what are becoming known as "green PCs". The US government is the world's largest buyer of computer equipment and use of energy-efficient PCs could save it more than \$40m a year in electricity costs.

The EPA estimates that if PC users in the US adopt low-consumption systems, by 2000 they will save \$2bn a year in electricity costs and prevent pollution equivalent to that produced by 5m cars.

With the US government driving this nascent market, large US corporations say they may adopt a sim-

ilar purchasing policy. Dataquest, the market research company, is soon to finish a study of green PC markets and predicts that by 1997 almost all PCs will conform to the EPA's Energy Star specifications. These permit a maximum of 30W energy consumption in "sleep" mode for the main system, and 30W for the monitor. Most desktop PCs now use about 200W, with monitors consuming about half that.

Robert Corpuz, PC industry analyst at Dataquest, says: "We've had microprocessor wars with manufacturers claiming ever faster systems. Now we'll probably have wattage wars with Dell and Compaq fighting over [who has] the lowest power consumption."

"We see a huge market potential for companies that will produce products that can convert current

PC systems to the EPA specifications - especially in the corporate market where energy savings of more than \$100 per PC per year add up to huge savings. A key factor in the success of 'green' PCs will be to keep prices the same and make sure there is no reduction in performance."

So far, US manufacturers of PCs say that buyers of green PCs will not be asked to pay extra money. Acer America claims to be the first on the market with its AcerPAC 250 PC which uses only 10W in rest mode. Similar systems will be available later this year from IBM, Apple and other leading PC manufacturers.

Apple has set up the Sustainable Technologies Group as part of its research and development division. Apple says it is studying ways of lessening the environmental impact of computers and developing new kinds of energy-efficient technologies which could eventually give it an edge in the highly competitive PC market.

Most of the technologies that will be used in building energy-efficient PCs already exist. They were developed for portable computers where the limitations of batteries have made energy conservation vital. All portables have a "sleep" mode that conserves battery power by partially shutting the system after a few minutes of idle time. Some slow the main processor between keystrokes for fractions of a second.

Another technology is the production of 3.3 volt semiconductors and built-in power management features such as those that will be found in almost all Intel microprocessors.

Dataquest says the green PC trend will spread. Offices will have "green" fax machines, copiers and laser printers. Most laser printer manufacturers already offer recycling programmes for printer cartridges.

As PCs continue to replace mainframes, the recycling of old mainframes becomes a problem. Andahl, a manufacturer of IBM plug-compatible mainframes, says its old mainframes generally get resold on the used computer market. Within the US government, agencies hand them on to other agencies. Some have even ended up in China.

But old mainframes do have some salvage value. Lawrence Livermore National Laboratory recently sold an old Cray 1 computer to two specialists. The supercomputer was valued at \$19m when purchased in 1976, but Tony Cole and Sabir Shehadeh paid a "bribe" \$10,101.01 at a government auction.

They hope someone might buy the old colossus for historic reasons. "If we can't sell it we'll scrap it," says Shehadeh. "There's at least \$20,000 of gold in it plus a lot of copper."

Worth Watching · Della Bradshaw



Fooling the credit card fraudsters

The magnetic strip which appears on credit and debit cards has proven, in many cases, to be woefully insecure, with the data easy to copy. Now academics at Keele University, with industrial help from three companies, have developed a security strip which fraudsters should find almost impossible to tamper with.

The magnetic medium is sputtered in tiny drops onto the surface - paper, metal or plastic - so it is impossible to peel off, unlike ordinary magnetic strips. And the data held in the medium is encoded to prevent copying the strip and associated equipment, can write instructions on to the strip so that only one other specific machine can write on to that surface. This would mean that only the company issuing the cheques, tickets, credit cards or holograms would be able to write on the strip, preventing copying. The genuine items could be easily verified at the retail outlet by using the reader. Massvision: UK, tel: 021 708 0041.

Reproducing a positive image

It can be a laborious process to get a copy of a photographic print if the original negative has been lost. Japanese film specialist Fujifilm has developed a machine which can produce photographic reproductions of a print or transparency in minutes.

The machine uses a thermal development and transfer technology similar to that used in colour photocopyers. An image of the original picture is taken on to film and then transferred on to paper. However, the picture is a true photo, with a much higher resolution than the images produced by a colour copier.

The process also has environmental advantages as the traditional "wet" chemical process - where a series of chemical baths are used to develop the film - is no longer needed. Fujifilm believes the Pictostat 2000 machine will find a place in rapid film processing outlets. Fujifilm: Japan, tel: 03 3406 2111; UK, tel: 071 586 5800.

Apricot re-enters the PC market

Apricot computers has re-entered the market for home and small business PCs with the Xen-PC, a 486-based machine which has been designed so that it can be upgraded to use Intel's latest and most powerful Pentium processor once the chip becomes widely available. The Xen-PC, made in Glenrothes, Scotland, has high resolution graphics and an on-board CD-ROM interface. It will sell for £799 until July 31st and £899 subsequently. Apricot UK, tel: 021 717 7471.

A classical partner for the computer

For most people, computers and music are poles apart. However, Attica Cybernetics of the UK has brought them together to help anyone wanting to know more about classical music, writes Andrew Fisher.

Users need an IBM-compatible multimedia PC, with a 386 processor, a CD-ROM drive and sound card with speaker or headphones. At £99, Attica's CD-ROM "An Introduction to Classical Music", contains more than four hours of excerpts, pictures and details of more than 40 composers and information on 350 compositions. Attica Cybernetics: UK, 0865 7911346.

Stepping into recycling

Recycling has hit the streets in Germany with the formation of the aptly-named Step, a working group to look at the recycling of worn-out shoes.

Set up by the German Recycling Company's technology development group, Step's aim is to work with the German footwear industry to develop mechanical, thermal and chemical methods of re-using old shoes. German Recycling Company: Germany, tel: 711 970 8540.



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Standard's latest board move

Standard Chartered, the UK-based international banking group, yesterday put in place one of the final elements in its reorganisation of senior management following the retirement of Rodney Galpin, the bank's chairman, last month.

Following Standard's recruitment of Peter Wood, formerly Barclays' finance director, as head of finance, it announced that John McFarlane, Citibank's UK chief executive, is to join the bank as an executive director.

McFarlane replaces Alan Orsich, deputy managing director. He will work under Malcolm Williamson, chief executive, alongside Wood, David Motr, head of Asia Pacific operations, and David Broome, head of Standard's banking business.

Williamson has been working on a new management structure to tighten management controls and prevent a



repetition of costly accidents such as the Bombay securities trading scandal, which lost the bank \$305m in India last year.

McFarlane and Wood's recruitment is part of a reform of senior management which will strengthen functional reporting lines rather than

operating Standard's businesses more through managers in regions and countries around the world.

McFarlane has worked for Citibank since 1975, although his career started outside financial services in the power train division of Ford Motor Company's Dagenham plant. At Citibank, he worked in treasury, capital markets, and global finance.

McFarlane, a 45-year-old Scot with an MA from Edinburgh University and an MBA from Cranfield, said it had been "an agonising decision" to leave Citibank but he felt he had achieved the task he was set as chief executive in 1990.

He said Standard's global business, with a concentration in the Asia Pacific, had "a lot of similarities" to Citibank. He is likely to work closely with Wood in reviewing controls and risk, although the final structure is yet to be refined.

Disciplinarian for accountants

MR BILL MORRISON, outgoing deputy senior partner of KPMG Peat Marwick, is set to become chairman of the accountancy profession's highest disciplinary body.

Morrison will be appointed to head the Joint Disciplinary Scheme in succession to Sir Anthony Wilson, who retires at the end of September after a three-year term.

The scheme is operated jointly by the two chartered accountancy institutes covering Scotland, and England and Wales, and the Chartered Association of Certified Accountants.

Wilson says he is pleased to have helped restructure and streamline the scheme during his term. "The problem from the outside is that people see delays. But these big cases are very complex and justice has to be administered fairly and

open-handedly."

The scheme has the power to examine and discipline member firms and any individual members in either public practice or commercial work. It only examines matters in which there is a high level of public interest.

Current cases under review are the Bank of Credit and Commerce International and Barlow Clowes. It is also shortly to announce an examination of the Maxwell affair.

Morrison announced he was retiring from KPMG "amicably" in February to pursue "an alternative career". In advance of the appointment of Mr Colin Sharman as senior partner.

He was also president of the Institute of Chartered Accountants of Scotland in 1994-95 and has been visiting professor in accountancy at the University of Strathclyde since 1993.



Michael Chamberlain, a senior partner in KPMG Peat Marwick has been elected president of THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES.

Thatcherite Pascall turns up at MAI

David Pascall, the BP executive who chaired the National Curriculum Council until April, has turned up in the City as finance director of a division of MAI, the finance, media and information services group.

It is no surprise that 44-year-old Pascall, a chemical engineer and 25-year veteran of BP, has left the oil giant. He had masterminded the controversial Project 90 reorganisation for Bob Horton, BP's chief.

It is understood to be Horton, a friend since St Andrews University days with the then minister for education John MacGregor, who raised Pascall's name as a suitable industrialist to become a member of the NCC in 1990. Pascall took on the chair a year later in what was seen at the time as a firmly political appointment by Kenneth Clarke, the next secretary for state.

Branded a Thatcherite for his stint at NCC's policy unit in the mid-1980s, Pascall made no secret of his bitter appointment when the job of chairman of the new School Curriculum Assessment Authority - which, he said, he had been given strong indications he would be offered - was given to the political Sir Ron Dearing.

"Everyone thinks that all of education is a mess," he adds about his time at NCC, "but we have done significant work on the curriculum. Sir Ron now needs to do the same or testing."

Meanwhile, Pascall says Lord Hollick, MAI chief executive, made him "a very interesting offer". He joins in the newly created capacity of finance director of the money and securities broking division, but does not go on the main board. The division has six regional finance directors, who will report into Pascall.

Pascall's varied career included four years in BP's finance department, at the time of the government share sale and then during the MMC inquiry into the Kuwaiti Investment Office's shareholding.

He had earlier done an MBA specialising in finance at Inset under BP sponsorship.

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FINANCIAL TIMES
LONDON & NEW YORK

Sheep invade the City

Lynn MacRitchie takes her time to follow the sculpture trail

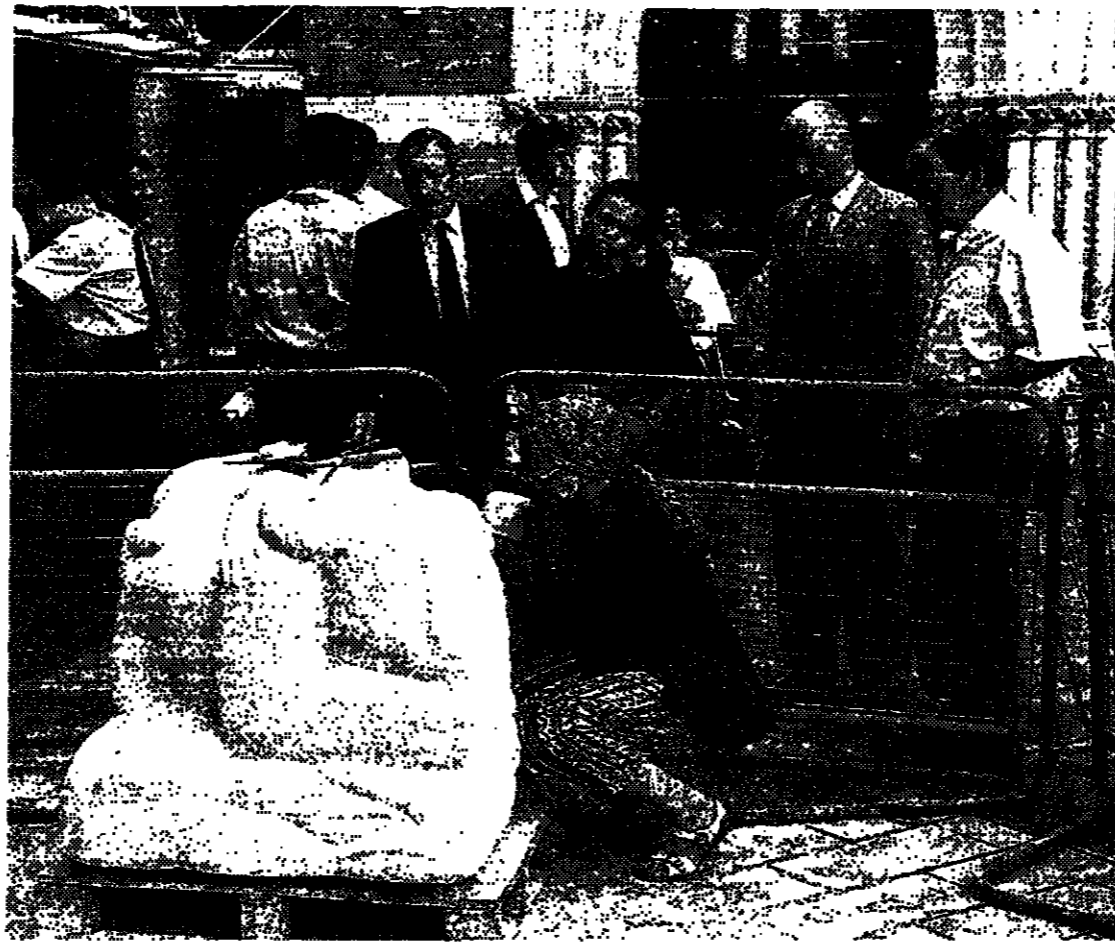
London is blossoming with sculpture in the sudden summer heat. With new permanent exhibits and temporary shows, from the Limehouse Link to Chelsea Harbour, residents and visitors alike have an opportunity to compare the City's established monuments with some sometimes startling newcomers. Perhaps the most imaginative exhibition is *Art in the City*, a sculpture trail, beginning and ending at the Barbican, initiated by independent curator Victoria Preston.

The trail links 17 locations throughout the Square Mile where specially chosen sculptures are sited until late July. Those intending to follow it in full would be advised to do so in easy stages. Conducted walks are being taken from the Barbican, estimated to last about one and a half hours, but I found several attempts necessary to get the most out of the fascinating walk, since finding oneself lost in an historic alley way or hidden garden square is all part of the fun.

The workers around Finsbury Circus already seem quite at home with the flock of sheep by Sophie Ryder now encamped there, looking thoughtfully towards the emerald expanse of the bowling green. Sheep were being used as sun shades and handy jacket pegs during my lunchtime visit, one young man absently stroking one of the flock's ears as he chatted with a friend. This is exactly the sort of response Victoria Preston welcomes, steering sponsors to a choice of work with ready appeal, whether through reputation - the well sited Henry

Moore outside the Guildhall, a Nigel Bull looking as if it had been there forever in Devonshire Square - or accessibility, such as the splendid whispering girls by Andre Wallace outside Fenchurch Street Station, or (an organisational triumph this) a Barry Flanagan cricketing hare outside the Bank of England, which austere establishment informed Ms Preston on her first approach that it "hadn't bought any sculpture since 1874".

The trail also offers the opportunity to see three artists at work. Until the end of next week Paula Haughey is to be found by the main entrance to Liverpool Street Station, finishing off "Small Passenger", a carving in limestone - "like St Paul's", she told me - of "a woolly beast with a baby on her back." The watchful beast has curving horns and would have fangs "if her mouth was open." The small human child sleeps peacefully, comfortably cradled on the beast's rough coat. It is a charming piece of work and the opportunity to see how it is done was being taken happily both by a seated audience lunching outside McDonald's. The braver souls spoke to Paula and asked all those sorts of questions - what is it, how did you do it, how much does it cost - that everyone always wants to ask but normally cannot. For the artist, it provides a welcome break from studio isolation and a chance for some peer group praise. Workers from nearby construction sites had been particularly appreciative of the skill and sheer hard work that stone carving entails.



Paula Haughey at work on 'Small Passenger' outside Liverpool Street Station

On the blighted expanse of Paternoster Square the duo Clark/MacGregor are constructing something very different. Over the next week, a huge clay head and hand will rise from the patio, evoking all sorts of associations with the deserted surroundings. Is the figure sinking or rising up, newly destroyed or newly created, its hand raised in greeting or goodbye? Clark/MacGregor (two graduates of the Slade) worked together in video and performance before their present engagement with large scale outdoor sculpture.

During a similar project in Greenwich, they were "shocked" at the public reaction.

Expecting the worst, I looked concerned. "No, no," they told me, "people were really positive, they liked the work and thought it should be there permanently..."

Reasons of size and cost mean that they confine themselves to cheap materials such as plaster and lathing, a tactic which enables them to work on the grand scale they desire and see their schemes

realised, however briefly, without the endless negotiations sifting such work permanently would entail. They welcomed the *Art in the City* initiative as an opportunity to explore ideas in conjunction with the audience they wish to address - the general public rather than the gallery circuit.

Art in the City Sculpture in the Square Mile June 3 - July 25. Maps and information from the Barbican Centre. Tel: 071 638 4141.

Dance/Clement Crisp

The Journey

I am lonely. My body prison. Door I am lonely. My body prison. Door closed. He then. Talk over my head. Like vegetable. They afraid. To see me out with Mum. She hates them. Watch them.

This poem is by Bill Robins. He is 24 years old, very severely disabled with athetoid cerebral palsy, and he is the central and compelling figure in a new work made for and by Amici Dance Theatre. Amici is the creation of Wolfgang Stange, whose career has been spent in proving the therapeutic power of dance in helping people with every physical and mental disadvantage to explore and explain their identities in movement theatre. From their aspirations, as from their sometimes distressing handicaps, Stange has guided the creation of brave and challenging theatre-pieces during the past decade - and none more so than *The Journey* which is at Riverside this week.

Bill Robins' condition - in the prison of his body, with a wide-ranging intelligence - is the theme of the work, which has a scenario by Gilly Fraser. Indomitable will can set his imagination free to explore a world and his own hopes. He becomes, thereby, a magic shaman-figure for others, handicapped or able-bodied, who are taught by his suffering as by his bravery, and through his plight - and his needs - they, and we, can learn.

Stange's cast of over 40 performers are involved in simple, effective routines. Bill Robins' journey is fantasy, but it confronts handicaps other than his own, and makes powerful cause for the emotional (and sexual) needs of its players. A significant extra to the presentation is the presence of three members of Ra Ra Zoo, the acrobatic theatre troupe. Nigel Warrack, Jeremy Robins and Lindsey Butcher can be seen as physically splendid figures in contrast to the rest of the cast. They may be ideal; they appear, though, as friends, guides, and - playing with great sensitivity - Miss Lindsey becomes Bill Robins' lover. *The Journey*, as you may gather, is neither mealy-mouthed

nor playing for undue sympathy. It is honest in its humour as in its sorrows. Its boldest trick is to introduce a parallel with *Giselle*. One of the characters is Jack, played with marvellous concentration by Ian Willis. Suddenly he is revealed as a transvestite, wildly arrayed in long red dress, pearls and white gloves. As we hear a recording of the *Giselle* mad-scene, Jack becomes *Giselle*, tearing through the crowd of on-lookers, finally killing himself with a drug over-dose. His wife, Mary, grieves over the body. The ingredients seem preposterous; the performance - with an implicit comment upon the reasons for Jack's madness - is heart-breaking. Even more so a later parallel with the last moments of the ballet.

We have seen that Bill Robins' character is loved by Lindsey Butcher. As the music for *Giselle* and Albrecht's last farewell rings out, Robins and Lindsey Butcher are carried in on the shoulders of Nigel Warrack and Jeremy Robins, to meet briefly, clasp at each other, and then be separated. The effect is true in feeling, more vivid, than the ending of most stagings of *Giselle* we sit through today. And, as an historical quirk, let me record that it was from these Riverside Studios in 1988 that BBC TV transmitted Margaret Dale's celebrated production of *Giselle*, with Nadia Nerina and Nikolay Fadeychev. Thirty-five years later, the immediacy of emotion which marked that superb performance was to be seen in Amici's playing.

Amici represents something of huge value: art as understanding. One might go a long way to find an enterprise older than *The Journey*. One could travel even further to find something as inspiring. To everyone connected with Amici and this performance, admiration. Amici is part of the Hamamersley Community Education programme. Further support came from London Arts Board, Allied Irish Bank, Harper Collins.

Riverside Studios until June 12

Maggio musicale/William Weaver

Graves's 'Carmen'

Though she has been singing Carmen for only a couple of years, the young American mezzo Denyce Graves has staked a firm claim to the role. Her recent appearances at the Teatro Comunale in Florence confirmed her affinity with Bizet's heroine and, at the same time, enlivened what has been a fairly lacklustre Maggio musicale, the 56th festival in the series.

Denyce Graves looks the part: slim and sexy, dark-skinned, she has a dazzling, seductive smile, mobile expression (insofar as the disastrous lighting of the production allowed her face to be seen), a feline grace, and an impressive ability to dance.

She can sing, too. The voice is not over-opulent, but it has warmth, extension, and a broad range of colours. At times, she can sound almost adolescent, as she proclaims - and demonstrates - Carmen's sincerity; then, when she asserts her need for freedom, she is commanding, even frightening. While remaining always in the part, she never sacrifices the music to the drama.

The notes are given their proper value. After enduring far too many "singing actresses" exaggerate chest notes and *parlando*, it was a welcome relief to hear such straightforward singing.

Though Luis Lima does not have a great, or even an attractive voice, he has understandably become the leading interpreter of Don José; for his total identification with the unhappy soldier, his intensity and -

in the final act - his crazed desperation make him entirely convincing and moving. He was the ideal partner for Denyce Graves; it was a pity that the infelicitous staging of Nuria Espert (imported from Covent Garden) did not fully exploit the possibilities of the two personable and gifted stars.

When they were not obscured by Albert Faura's lighting (no, wrong word: by his "darkening"), the main characters were concealed in the clumsily-handled chorus. Graves and Lima triumphed in spite of their producer. They also received little support from their conductor. Zubin Mehta imposed an unimaginative reading: the tempi were often rigid, Bizet's subtle shifts of mood, the little surges of hope, the brief plunges into desperation, were all smoothed out. Micaela's scene (Cecilia Gasdia in poor form) dragged on endlessly, a whining dirge. Justino Diaz has never been a really satisfactory Escamillo, except visually; at this point in his career, he is not enjoyable to hear.

The Mercedes and, even more, the Frasquita were simply inadequate; Morales, Dancatre and Remendado were no better. In the delicate "smoking" scene of Act I (dully handled by Mehta), the thinned voices of the chorus sounded strained. Often, in the case of *Carmen* we are obliged to hear an opera without a protagonist; on this occasion, we heard a protagonist who had been largely deprived of her opera.

Opera in Lyon/Ronald Crichton

Playing with fire

overwhelming longing to rule the universe, asks his solar father for confirmation. The Sun obliges, adding a pledge to give Phaëton anything he desires. To his father's horror the boy asks to drive his fiery chariot across the skies. Epaëus sneaks to Jupiter, who dispatches a thunderbolt. Phaëton falls.

The designer, Jean Bauer, frames the action in a revolving, flame-coloured permanent set, somewhere between ochre and apricot, with fantastic costumes, mainly yellow and gold, by Sylvie Skinezi. Sunlight, spheres, circles, hoops everywhere. Dancers, acrobats, trapezists, midge. For much of the time the stage centre is occupied by a plexi-glass half-globe sometimes on the floor, sometimes tilted or suspended. Much of the dancing took place under the glass, hidden from me by an exceptionally tall opera-goer in the seat in front (not typical - sight lines from the stall

seem good). Karine Saporta, producer and choreographer, is described as being "on the cutting edge of modern dance". The singers were given finicky little arm and hand movements like the Peter Sellers *Zauberflöte* at Glyndebourne. Too much movement altogether, to the detriment of plot and words.

Lully's 'Phaëton' was so successful that it became known as 'the opera of the people'

I am sure that Lully, if he came back today, would make his singers dance but I do not believe he would have blurred the distinction between singing and dance with so much fiddle-faddle. In one dialogue two pairs of dancers "acted out" the words with distracting effect. During Phaëton's crucial interview

with the Sun, two extras peeping through holes twiddled shaving mirrors. Phaëton's fall was effectively suggested (Hervé Audibert's lighting was ingenious when he stopped dazzling the audience). The producer rightly realised that the real point of interest is not the catastrophe but the insensate pride and ambition that causes it.

I saw the second performance. There may have been too little rehearsal; not everything on and behind stage went smoothly. After a heroic ten days or so the company appeared understandably tired. The singers, some of them seemingly worried by their movements, too often failed to give Lully's masterly recitatives their full effect - I gladly except the irrepressible Jean-Paul Fouchécourt in three roles including the Sun. Howard Crook, dignified as ever, took the title-role. As Libye, Veronique Gens sang brightly. Jennifer Smith as her rival Théone, unavailingly sighing for

the unfeeling Phaëton, had some expressively turned phrases also some shrillness at the top.

Like most operas of the period *Phaëton* is rich in rewarding small parts, well taken here by, among others, Rachel Yakar, Laurent Naouri, Gérard Thérue, Philippe Huttenlocher. The Musiciens du Louvre under Marc Minkowski were energetic but less spick than span than usual. The Ensemble Vocal Sagittarius provided the chorus (how artful of Lully to open his prologue with such a ravishing piece for female voices).

The large audience was pin-still and appreciative. I did not detect any outward sign of discontent with the much-discussed new building as they clattered down from the upper balconies in the interval in search of refreshment. Whatever its faults the new opera house is intensely and enjoyably theatrical (no-one could say that about La Bastille in Paris), even if in that theatricality there is an element of international exhibition swank which may not last well or long.

Sponsored by Alliance Opéras, Fondation France Télécom, Fondation ELF

as Ruth, and Louise Jameson as Elvira maintain a quick banter and scurry round the fine drawing-room set.

Where would Coward be without the dry martini ("anyone can write a book, but it takes an artist to mix a martini dry enough") and the place name: "You were feckless and irresponsible and morally unstable... I realised that before we left Budleigh Salterton".

Richmond Theatre (081 940 0088) until June 12

Theatre/Andrew St George

'Blithe Spirit': dated as dry martini

as the actors relax, but at the moment it falls short.

Blithe Spirit tells of a novelist, Charles, who calls in a medium, Madame Arcati, to conduct some psychic research. She manages to materialise his first wife, Elvira, visible and audible to him alone, and intent on having him join her on the other side. Charles's second wife, Ruth, handles the situation well until

Elvira kills her in a car accident fixed for Charles. He is then haunted by two ex-wives who are finally exorcised by Madame Arcati and the Maid.

This is a comedy of perception. On stage, Coward has Charles replying to Elvira but seeming to talk to Ruth; but the play also presents ideal femininity in 1941: blithe, bonny, spirited and anything but flesh and bone. It is this

perception which has begun to date the play.

Literary mediums, from Robert Browning's Mr Sludge to T.S. Eliot's Madame Sosostris, are rarely so terrestrial as Madame Arcati, beautifully played here by the substantial Peggy Mount. She also carried a miscued scene when the gramophone failed to work - "I'll sing it then," Geoffrey Davies as Charles, Marsha Fitzalan

INTERNATIONAL ARTS GUIDE

One of the largest and most ambitious piano festivals in the world opens next Tuesday in the Ruhr industrial region of Germany. Organised by the Ruhr's public authorities, the Ruhr Piano Festival embraces nine cities and features 40 internationally-renowned musicians.

The opening recital in Bochum is given by Andrei Gavrilov. The first week also features Garrick Ohlsson, Paul Badura-Skoda and Jean-Yves Thibaudet. Later this month there will be recitals by Zoltan Kocsis, Cyprien Katsaris and Dmitry Bashkirtsev, followed in July by Rudolf Buchbinder, François-René Duchâble, Chick Corea, Oleg Maisenberg, Nelson Freire, Dimitri Alexeev, Melvyn Tan and the Labèque Sisters. The festival ends in mid-August with recitals by André Watts and Shura Cherkassky. There is no programme theme, but several concerts will include

an introductory talk by the German author and music critic Joachim Kaiser. There will also be a small group of song recitals, including an evening in Herten with Brigitte Fassbaender accompanied by Arbert Reimann (June 30) and a recital by Theo Adam in Hamm (July 28). Among the other cities covered by the festival are Duisburg and Gelsenkirchen. Tickets are available from Rhein-Ruhr-Ticket tel 0201-268081.

EXHIBITIONS GUIDE

AMSTERDAM Van Gogh Museum The Potato Eaters: sketches, drawings and paintings leading up to the chef d'oeuvre of Van Gogh's Dutch period. Ends Aug 29. Courtesans in Japanese Prints. Ends Aug 29. Daily Rijksmuseum Rembrandt in a new light: seven restored paintings, including The Denial of Peter (1660), The Jewish Bride (1662) and The Sampling Officials (1662). Ends Nov 1. The Jacobus Klaver Collection: 100 Dutch 17th and early 18th century drawings. Ends July 25. Closed Mon

ANTWERP Musée Royal des Beaux-Arts Jacob Jordans: large-scale retrospective of the baroque painter born 400 years ago in Antwerp. Ends June 27. Closed Mon

BARCELONA Fundació Joan Miro Joan Miro: large-scale centenary exhibition. Ends Aug 30. Closed Mon

BERLIN Neue Nationalgalerie Boyeler Collection: an outstanding private Swiss collection of early 20th century paintings. Ends Aug 1. Closed Mon

CHICAGO Art Institute Chicago Architecture and Design 1923-93: 400 pieces focusing on themes of the urban world as it changed after the Great Depression and the Second World War. Ends Aug 29. The Moscow

LAUSANNE Fondation de l'Hermitage Monet and His Friends. Ends Sep 26. Closed Mon

LONDON Tate Gallery Art and Liberation: painting and sculpture in postwar Paris 1945-55, with special focus on Giacometti, Wols, Picasso, Dubuffet and others. Ends Sep 5. Turner's Painting Techniques. Ends Sep 12. Georges Braque: prints from private French collections. Ends June 27. Daily National Gallery 18th and 19th century paintings and drawings from Lille. Ends July 11. Also 10 Velazquez paintings from Aspley House. Daily

MOSCOW Pushkin Museum The George Ortiz Collection: 280 antiquities spanning 30 cultures from the Neolithic age to the late Byzantine period. Ends June 27

MUNICH Neue Pinakothek Max Beckmann: 25 self-portraits from the 1880s to the 1940s. Ends July 25. Closed Mon

NEW YORK Guggenheim Museum Paul Klee: 60 works from the museum's own collection, spanning the Swiss-born artist's career from early academic landscapes and satirical etchings to geometric abstraction executed at the Bauhaus and late masterworks. Ends Sep 19. The

PARIS Courtauld Institute Thomas Gainsborough as Artist and Collector: 14th and 15th Italian paintings collected by the 19th century painter, whose watercolours are also represented. Ends Sep 1. Daily

PARIS Accademia Italiana Italian Art Treasures, including works by Guercino, Domenichino and Caracci. Ends July 25. Daily

PARIS Musée d'Art Contemporain Discovering the Collections of French-speaking Switzerland: important works of the past 30 years. Ends June 27. Daily Musée Cantonal des Beaux-Arts Balhaus (b1908): more than 80 paintings and drawings by Balhaus Klossowski de Rola, the French painter from a Polish background who was encouraged by Derrin and Bonnard. Ends Aug 29. Closed Mon

PARIS Tate Gallery Art and Liberation: painting and sculpture in postwar Paris 1945-55, with special focus on Giacometti, Wols, Picasso, Dubuffet and others. Ends Sep 5. Turner's Painting Techniques. Ends Sep 12. Georges Braque: prints from private French collections. Ends June 27. Daily National Gallery 18th and 19th century paintings and drawings from Lille. Ends July 11. Also 10 Velazquez paintings from Aspley House. Daily

PARIS Musée Picasso Picasso and the Bulls. Ends June 28. Closed Tues Louvre Copier-Gréer: from Turner to Picasso, 300 works showing how artists copied the great masters. Ends July 26. Closed Tues Musée du Luxembourg Roman Wall Paintings around Narbonne. Ends July 4. Closed Mon (19 rue de Valenciennes) Petit Palais The Splendour of Russia: a thousand years of goldsmiths' work. Ends July 18. Closed Mon

PARIS Centre Georges Pompidou Matisse 1904-17. Ends June 21. Closed Tues

PARIS Musée Picasso Picasso and the Bulls. Ends June 28. Closed Tues Louvre Copier-Gréer: from Turner to Picasso, 300 works showing how artists copied the great masters. Ends July 26. Closed Tues Musée du Luxembourg Roman Wall Paintings around Narbonne. Ends July 4. Closed Mon (19 rue de Valenciennes) Petit Palais The Splendour of Russia: a thousand years of goldsmiths' work. Ends July 18. Closed Mon

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PARIS Centre Georges Pompidou Matisse 1904-17. Ends June 21. Closed Tues

RENNES Musée des Beaux-Arts French 17th Century Paintings: 130 works, divided into five sections, offering a panorama of the styles at work in a lively period in French art. Ends June 20. Closed Tues

ROME Calcografia Federica Peliti, Piedmontese Photographer in India: more than 200 evocative photos of the British Raj by a talented amateur, who was also a violinist and sculptor. Ends July 10. Daily S. Michele a Ripa Borghese Collection: works by Titian, Caravaggio, Rubens, Raphael and others, on show in this deconsecrated church while the villa in the Borghese gardens is being restored. Ends Dec 31

SPEYER Historisches Museum der Pfalz Three Millennia of Egyptian Culture: masterworks of Egyptian-oriental art from the Vienna Kunsthistorisches Museum. Ends Aug 1. Daily

WASHINGTON National Gallery of Art The Great Age of British Watercolours 1750-1880. Ends July 25. Also Great French Paintings from the Barnes Foundation: 80 French impressionist, post-impressionist and early modern paintings. Ends Aug 15. Daily National Portrait Gallery American Art at the 1893 World Fair. Ends Aug 14. Daily

WASHINGTON National Museum of American Art Masterworks from American Art Forum Collections 1875-1935: 64 works by Albert Bierstadt, John Singer Sargent, Edward Hopper and others. Ends July 5. Daily

The warning from Mr Neil Clarke, chairman of British Coal, was less than explicit when it finally came, spoken almost as an aside. But there was no doubt about the meaning.

He had just received an unenthusiastic reception at the annual conference of the Union of Democratic Mineworkers after telling delegates that half the company's 6,000 white collar workers were no longer required.

Then came the crunch. "Unless we are more competitive, the consequence will effectively be the closure of more pits," he said.

Last October, the government said that of Britain's 50 remaining pits, it wanted to close all but 19 because the market for coal was not big enough to sustain them. In a white paper published in March, the government reprieved 13 of the doomed pits after a public outcry forced it to retreat. Within the industry, however, there were strong doubts about whether these 12 pits would stay open for long.

In raising the doubts in public, Mr Clarke finally acknowledged what others in the industry had been saying in private for some time. His intervention may also have been prompted by a recognition that the outlook for coal has worsened significantly over the past few months.

As the global oversupply in coal continues to undermine the market, British Coal's main customers - the two electricity generators, National Power and PowerGen - are shifting increasingly to a cleaner and, they argue, cheaper, source of energy: gas. The threat to coal from gas and also from nuclear power is greater, and happening more quickly, Mr Clarke told the UDM, than he had anticipated.

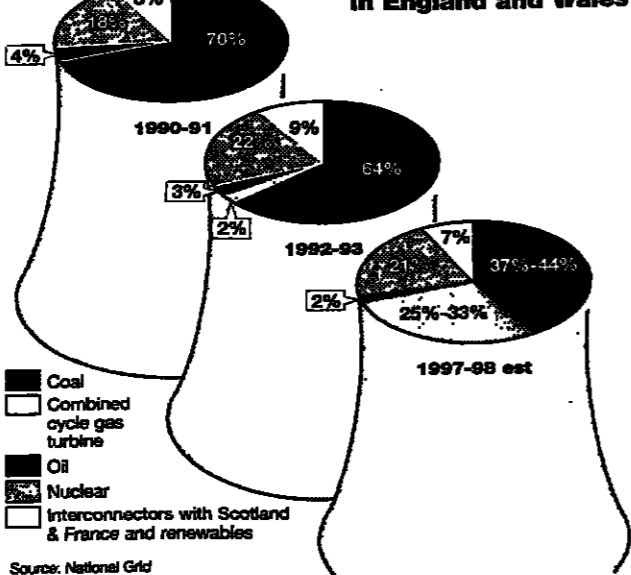
A new threat to the future of the coal industry has emerged in the shape of anti-pollution measures. The government's Pollution Inspectorate has served notice on the generators that stricter and more costly environmental controls on coal-fired electricity generation are to be imposed by the end of the decade.

The generators will have to fit their coal-fired plants with expensive pollution control equipment or run them less intensively; both options are costly and this has reinforced their decisions to build gas-fired stations. The increased cost of pollution control is thus speeding up the so-called "dash for gas".

Little light at tunnel's end

The outlook for British Coal is looking grimmer by the month, writes Michael Smith

Fuel sources for electricity in England and Wales



National Power, the largest UK generator, this week announced it was closing its coal-fired Thorpe Marsh generator in Yorkshire next March with the loss of 200 jobs. Its place will be taken eventually by gas-fired plants such as Staythorpe, in Nottinghamshire, for which the government granted National Power planning permission a week ago.

Nuclear power is also increasing its share of the electricity-generating market. Last year, Nuclear Electric lifted its share from 15.5 per cent to 21.5 per cent. This could rise to 25 per cent by 1997-98 after Sizewell B comes on stream next year.

The shift to gas and nuclear power has gradually eroded the dominance of Britain's energy market by coal. The industry that the government plans to privatise over the next three years is tiny compared with that brought into the state sector in 1947. Then, there were 958 pits; at the end of the 1984-85 miners' strike, 169 were left. By the end of the century, industry observers believe, there could be fewer than 15 pits in production.

Privatisation has already started in a small way. Private operators are being offered licences to run the 18 of the pits which British Coal has said it no longer wants to mine itself, and is either closing or mothballing. The signs are not encouraging.

The response from the private sector has been muted, with at least one prospective potential bidder, Young Group, saying it is interested in none of the pits. The mines being offered to the private sector are, after all, in British Coal's judgment, the least productive. It is unlikely that more than six will attract private operators.

The future for the 12 reprieved pits may be only slightly brighter. British Coal is trying, against difficult odds, to persuade the power generators to buy more coal. It is also looking for niche markets in the industrial and domestic sectors, but the main opportunity for extra sales lies with the generators.

As part of its review of the coal industry, the government pressed the generators to buy an extra 65m tonnes over five years from April this year, probably enough to keep open nine of the 12 reprieved pits for most of that period. The generators resisted, but indicated they would take 40m tonnes - perhaps enough to provide a lifeline to six of the 12 mines. Now, even that looks optimistic.

Armed with the promise of subsidies from the government in the white paper, British Coal offered coal at 90p to 95p a gigajoule (a measure of thermal efficiency), less than two-thirds of production costs and two-thirds the price received in existing contracts.

Mr John Baker, chief executive of National Power, acknowledges that the price cut is "designed by British Coal to be in the competitive ball park", but he says he does not want to decide how much coal to buy until this autumn.

Mr Ed Wallis, chief executive at PowerGen, is also non-committal about the offer of a price cut. "I would take coal tomorrow if the price was right," he says.

Without further pressure from the government, which owns 40 per cent of each of the power-generating companies, PowerGen and National Power may take very little of the extra coal needed to keep the 12 in operation. Both have stocks to last six months and they can buy from the world market, arguably at lower prices than the corporation has offered.

In its white paper the government said it would discuss with the generators "as a matter of urgency" the strategic coal stocks they are legally required to store to ensure continued electricity generation. But discussions are still at an early stage two months later.

"The government has been all over the place on what to do about stocks," says one generator executive. "But they have backed off from asking us to increase the levels required by law."

There is little sign the government is ready to step up pressure on the power generators to secure more sales. Ministers appear to feel there is less need for action as pressure from trades unions, opposition politicians and an angry public has waned. By effectively phasing the pit closures over a longer period than first planned, the government has managed to remove some of the sting.

According to one generator executive, all 12 of the reprieved pits could be closed tomorrow without sparking the backlash of last October. "The heat is off and they know it."



or a leading member of the opposition - to thunder forth accusations against men in power, show up the worst side of everything that is produced, to pick holes in every coat, to moralise, or superciliously to damn with faint praise or crush with open calumny."

I offer this little passage from Trollope, his favourite novelist, to Mr John Major. He may take it as an assurance that what is said about him is nothing personal, only business. The prime minister may particularly savour the conclusion to the above-quoted paragraph, which I am sure he knows well: "What can be so easy as this when the critic has to be responsible for nothing? You condemn what I do; but put yourself in my position and do the reverse, and then see if I cannot condemn you."

Let us therefore put ourselves in Mr Major's position as his political life hangs by a thread. Never mind the opinions of writers for newspapers, on both sides of the House. The leader of the official opposition was at his most jokey, moral, supercilious, etc, when he spoke on Wednesday. "No amount of reshuffling, repackaging or re-presentation," thundered Mr John Smith, who rose with ease to a delicious opportunity, "can now disguise from the British people the stark reality of a discredited government, presided over by a discredited prime minister."

This was harmless compared with the publicly spoken words

of the former chancellor, Mr Norman Lamont. He charged that the cabinet, of which he was in the immediate past a member, was in office but not in power; that the government that he had served with such limpet-like devotion for the preceding 2½ years deserved to lose.

Mr Lamont's strictures are as nothing to the calumnies whispered, not in the open, but behind sleeves among Conservatives everywhere. The kindest summary of these is that Mr Major may be a nice enough chap, but he is simply not up to the job.

There is a defence to this charge, which Mr Major doubtless clings to. It is that he is the victim of the recession, and Maastricht. This is the tale told

by Mr Michael Heseltine, the president of the board of trade, who claims to view the scene with some detachment. His perspective is that of an old sweat who has seen it all. He argues with a skill that only he can muster that many heads of government, or of state, are in difficulties not unlike those of the British prime minister. He cites France, Germany, Spain, Japan, the United States and others as countries struck by recession and in consequence discontented with their political leaders.

Up to a point, Mr President. Germany's chancellor, Helmut Kohl, brought his troubles upon himself by promising what could not be delivered after unification. Spain's prime minister, Felipe Gonzalez, nearly lost the recent election, but actually won. President Bill Clinton's difficulties are the product of his eclectic cam-

paign and his butterfly personality. Special, and different, factors apply in France and Japan. In short, the recession is buffeting governments, but it is not the complete explanation for voters' revulsion.

The Maastricht excuse is no more convincing. The anti-Europe vote on the Conservative benches is larger than the government's overall majority, which stands at 18 and shrinking. As Mr Major protested in his ashen-faced defence of himself on Wednesday, "dealing with the problems of a small majority is a fundamental fact of democracy that no one dare or should even attempt to overlook". This will continue to be true, only more so, as the years until the next general election go by and successive elections are lost.

The end of Maastricht makes no difference. Europhobes who have so bitterly opposed Mr Major over the ratification of the treaty will not become quiescent once it becomes law.

The evolution of the European Community, or union, is a continuing process. It will always cause ripples in British political life.

The prime minister can, and does, give himself credit for having stuck to an anti-inflationary policy, even when it has clearly been to his political disadvantage to do so. He also congratulates himself for negotiating the deal he did at Maastricht, and for sticking to the painful parliamentary process necessary for ratification. That too has cost him dear. If he were now to turn on his critics - those within his own party - he could find plenty in them to condemn. It was he who won the election for their party, he

might say, deftly avoiding the greater truth that it was Labour that lost it. All Tory MPs fought on Mr Major's manifesto; he might again remind them: surely they should have the decency, and the loyalty, to support his government now?

It will not wash. The question of the hour is whether once all the excuses and explanations have been digested - the recession, the small majority, Maastricht - we have in Mr Major a prime minister of such extraordinary ability that he can master and reunite his party, restore the government's authority, and carry through the painful decisions that must be made if the £50bn public sector borrowing requirement is to be halved, and then quartered.

The prime minister need not listen to newspaper critics' answers to this question. As Trollope noted, it is no trouble to us to write another article next week giving the opposite point of view from this one expressed this week. He need not even pay excessive heed to the irreconcilables in his party; after all, they will not bear him.

He must, however, take to heart the critics in every bar, and around every dinner-table, in the land. They are saying now - they said at Newbury and may say again at Christchurch - that he does not possess the heroic stature necessary for the task before him. I express the general opinion as gently as I can. When the recession is behind us, will Mr Major be better able to explain his policies? When Maastricht is gone, will he find the nerve to take a stand at a fixed point within the Conservative party and fight off all challenges to it? Will this prime minister ever give the country a sense that he knows where he is taking it? If he does not, or cannot, he will go.

Joe Rogaly

Nice, but not up to it

The prime minister must take to heart the critics in every bar, and around every dinner-table, in the land

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Plea bargaining dangerously tempting

From Mr Nicholas Wells.

Sir, John Mason, in his article "Haggling a discount on criminal justice" (June 8), is correct in highlighting the danger of defendants being pressured into pleading guilty should a formal system of plea bargaining be introduced into the English criminal justice system.

The Royal Commission on Criminal Justice should resist making such a recommendation at least until the Serious Fraud Office wins greater, widespread confidence in its

handling of cases and its identification of what constitutes criminal action.

I write as one of seven defendants in the Blue Arrow trial. Each of us believed that we were innocent of any criminal action and were eventually vindicated by the courts. Nonetheless, at the beginning of the trial in November 1990, certain vague plea-bargaining proposals were discussed between defendants, their counsel and prosecuting counsel. Fortunately they came to nothing. Consider our position

though: we had been arrested in November 1989, the scope of the prosecution allegations was such that the trial was likely to run into the autumn of 1991 (in fact, it ran until February 1992), and the complexity of the case (at times seemingly beyond the grasp of the prosecution) ran the risk that the final verdict would be a lottery.

The effect of the trial on ourselves and our families made the short-cut tempting. Had we also been responsible for our own costs, the choice would

have been all the harder. I would not have wished that temptation to have been set in the context of a formal plea-bargaining system.

Until the SFO demonstrates both a better judgment in bringing cases to court and a determination to keep trials down to a sensible length, the dangers of a formal plea-bargaining system should outweigh its largely economic attraction.

Nicholas Wells,
22 Gauden Road,
London SW4 6LT

Heathrow's comforts

From Mr Roger Cato.

Sir, I would like to reassure Gideon Nellen (Letters, June 9) that BAA has no intention of increasing retailing at the expense of other passenger services. New retail areas are strategically and sensitively developed to ensure extra passenger space and seating are introduced at the same time.

In the last year, Terminal 1's departure lounge at Heathrow has had 350 extra seats introduced in a 10,000 square feet extension, with only 2,000 square feet devoted to retailing.

Although customer satisfaction has increased, we are now investing in a £65m project which will include a large extension to the Terminal 1 international departures area, check area, installing a further 500 seats, and creating an eating and shopping complex. Roger Cato, operations director, Heathrow Airport, D'Albion House, Hounslow, Middlesex TW6 1JH

Institutions should help more to curb executive pay excesses

From Mr Joan K Cohen.

Sir, As always, I found Barry Riley's article on executive pay and corporate governance ("When the brass is greener", June 5/6) both entertaining and informative. While he argues that executive pay excesses are due to the opportunities afforded by the increasingly confused roles of "proprietor" and "manager", especially on the part of non-executive directors, I would also argue strongly in favour of another of his insights, which he might have taken further. That is, that the opportunities for excessive executive pay have come about because of the "hands off" approach taken by

institutional investors.

I contend that, were institutional investors made more accountable to their membership, then we would find directors becoming more accountable to their shareholders. It is the problems of institutional investor governance that have led to problems of corporate governance. The solutions are more clearly in the hands of the Goode Committee (pension law review) than the Cadbury Committee. Ivan K Cohen, lecturer in finance, The Management School, Imperial College, 53 Prince's Gate, London SW7 9PG

An apt Twist in nickname

From Mr Martin B Murphy.

Sir, I agree entirely with Observer (June 9) that Kenneth Clarke should henceforth be known as Chubby Exchequer. It is particularly appropriate when one remembers that the original Chubby Checker's fame and fortune

were founded upon a series of dance records based on the Twist. Martin B Murphy, School of Accountancy, Law and Management, University of Huddersfield, Queensgate, Huddersfield HD1 3DH

Unexpected vintage

from Reimie Booyse.

Sir, Of course, I would never want to be accused of placing facts in the way of a good story, but Observer ("Loosening up", June 8) has translated an Afrikaans/Dutch word incorrectly. Actually, the anecdote is even better with the correct translation.

Buitenverwachting - the wine served by the ANC newspaper, New Nation, when Roel Meyer, the government negotiator, and ANC secretary-general Cyril Ramaphosa jointly accepted the "man of the year award" - actually means "beyond expectations", and not "waiting outside". In contrast with Alleenverloren (all is lost), the wine served to Meyer shortly after President De Klerk's 1990 speech un-banning the ANC, it would seem the talks are going better than some fear.

Reimie Booyse,
35 Mablethorpe Road,
London SW6 6AQ

Not really the soft options

From Mr Alan Paterson.

Once again, in your article "Losing lots of layers" (June 8) on the reshaping of National Westminster Bank, we witness Britain's implicit disdain for so-called "soft", as against "hard", factors when it states: "While some of these are 'soft' measures, others such as asset quality will be reflected directly in the profit and loss account in future years." How long will it be before these "soft" measures - quality of service, customer satisfaction, staff motivation - are recognised to be not just pamper-pamper enthusiasms, but crucial factors which will impact on the profit and loss account in future years? At least as much as hard ones? Alan Paterson,
64 Cranwich Road,
London N16 5JF



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Friday June 11 1993

The cost of fighting Aids

WITH ITS 14,000 delegates, ranging from scientists and pharmaceutical salesmen to gay activists and Africans in tribal robes, this week's Ninth International Aids Conference in Berlin offers a far target to critics of the travelling "Aids circus". It certainly encourages some to take the view that people who make a living out of Aids have exaggerated its threat to the world's health, in order to frighten governments into giving them more money.

But the overwhelming view of the international scientific and medical communities, including those not directly involved in Aids research or care, is that too little is spent on the disease. Although HIV may not be infecting heterosexuals in developed countries as quickly as some epidemiologists predicted five years ago, the ingredients are still in place for an epidemic to spread slowly through Europe and north America over the next decade or two. There is already a full-scale Aids epidemic in sub-Saharan Africa (claims to the contrary are simply wrong) and soon there will probably be one in southern Asia.

The world now spends roughly as much on Aids research as it does on cancer or heart disease - about £2bn a year. Of this about two-thirds comes from governments and the remainder from the pharmaceutical industry. Rigorous control and co-ordination of such rapidly mobilised programmes always presents difficulties. It may also seem a lot to spend on a disease that has so far infected

only 14m people worldwide and killed 2.5m altogether. Its toll is still much smaller than heart disease and cancer in industrialised countries or tuberculosis and malaria in the third world.

But Aids requires a special effort because it is new and unpredictable and is increasing far more rapidly than established killer diseases. Conservative forecasts suggest a doubling of victims by the end of the decade. The nightmare scenario is that the fast-changing virus might mutate into a significantly more infectious strain.

To those infected with HIV, research appears to make agonisingly slow progress. Sometimes it may even seem to move backwards, as for example when the Concorde clinical trial revealed the deficiencies of AZT. But the Berlin conference shows that real advances are being made. Eventually science should give doctors vaccines to prevent HIV infection and drugs to control the disease in those who are already infected. A valuable spin-off will be much new knowledge of virology and immunology that can be used to fight other diseases or even to understand basic processes such as ageing.

Nor should it be forgotten that the world knows how to stop Aids spreading: to discourage unprotected sex between strangers and the sharing of drug users of needles, and to screen public blood supplies for HIV. Support for Aids prevention programmes in developing countries is another genuinely high priority.

Spotting losers

THE CURSE of British industry, it would appear, is complacency. According to an IBM study published earlier this week, the great majority of British manufacturers believe themselves to be internationally competitive. In fact, only a tiny proportion of their plants operate to the highest world standards. The issue of competitiveness has preoccupied the Department of Trade and Industry for the past year and more. Assuming the IBM picture is broadly correct - and there is anecdotal evidence to support it - why have these august bodies not made the fact known?

The answer is sadly obvious. The DTI has prepared an analysis of Britain's competitive position. But the results are uncomfortable, and thus cannot be published. Similarly, the CBI's National Manufacturing Council has devoted itself, since its inception 18 months ago, to identifying areas of weakness and inculcating best practice. But the CBI's main job is to represent British industry to the outside world. It cannot be expected to publish a blunt picture of industry's failings.

IBM's position is very different. Its survey is a first stab at entering the management consultancy market, and by publishing its results it hopes to drum up custom. That does not invalidate the findings. Though the study is not exhaustive, its methodology seems objective enough: to assess some 200 plants on an index of performance, based on an analysis of

best manufacturing practice in the US and Japan. Subsequent examination suggests that plants at the top of the sample had profit margins some 10 percentage points higher than those at the bottom. The study's definition of "world class" - a score of over 80 per cent on the index - is arbitrary. But there seems no reason to doubt the conclusion that Britain is lagging badly behind.

Such findings are depressing only if they are not acted upon. The study suggests, for example, that one of the strongest influences on manufacturing performance is the quality of the customer. The food manufacturing industry scores high, because of the standards imposed by retailers such as Sainsbury and Tesco. So do suppliers to the computer industry. Suppliers to government departments score below average. This lends force to a familiar notion: that one of the most basic objectives of industrial policy should be for the government to be a professional buyer.

Another conclusion for government is similarly basic. The complacency of British industry may often be a case of honest ignorance. As the CBI itself has been heard to remark, there are too many companies in Britain believing themselves to be Olympic class when their true standard is that of the village green. Pointing out the discrepancy, however brusquely, is a necessary preliminary to setting it right. If the DTI has the information, it should publish it as widely as possible.

LA lawman

IF NOTHING else, the voters in Los Angeles have taken a fair-sized leap in the dark by electing Mr Richard Riordan as mayor. He may have carried the Republican law and order banner, but he is a virtual political novice. His promise, like that of Mr Ross Perot, is that this very lack of conventional experience at least gives him a chance to try to apply so far largely untested, business-like solutions to the city's problems. There could be easier inner-city laboratories. Last year's riots demonstrated the extent of urban decay and attendant social and racial divisions. The Rebuild LA project, the business-led effort directed until recently by Mr Peter Ueberroth, has made only modest progress. The city's government, designed for a simpler age, is antiquated, an agglomeration of fiefdoms, such as the police force, over which the mayor often can exercise only minimal control. Even Tom Bradley, an artist at consensus for 20 years at City Hall, used to complain that his writ did not run far.

But the problems of Los Angeles are still mostly different only in magnitude and complexity from those of other cities. Their collective plight is not short of analysis or advocacy. President Bill Clinton was the latest to weigh in, with a speech singling out for equal criticism his own Democratic party's addition to the existing social welfare system and the Republican determination to starve the inner cities of the resources for recovery. Both are,

indeed, salient features of their difficulties.

Yet, as the Rev Martin Luther King was fond of saying, there can be "a paralysis of analysis". President Clinton's actions have so far been less impressive than his diagnostic rhetoric. Most of his proposals - some "empowerment" zones, some summer jobs for money, some innovative housing projects, a limited national service corps, greater police funding, a push for modest gun control - are both small scale and long term. Meanwhile the private sector, with not enough exceptions, steers clear of the inner cities' needs, which do not square with the macro-imperative of reducing the national budget deficit.

Absent federal assistance on a grand scale and with state resources (most painfully in California) equally strained, a particular burden does fall on local initiative. To his credit, Mr Clinton is inclined to encourage this, supporting, for example, state reforms of Medicaid, the costly federal-state health programme for the elderly. Local officials insist they have greater flexibility under his administration than under previous federal governments, Republican and Democratic.

Whether Mayor Riordan can avail himself of this licence by pursuing innovative programmes remains to be seen. What he would like, as would any other mayor, is a substantial economic recovery, but that, too, cannot be promised. And this is but the start of another long, hot summer.

In Luxembourg this week, the first round of the negotiations to bring Austria, Sweden, Finland and Norway into the European Community was virtually wrapped up at a series of meetings between foreign ministers of the 12 and their Nordic and Alpine counterparts. As a result, the Copenhagen summit of EC heads of government in 10 days will have a modest success to build on.

But what has been achieved since enlargement talks started in February amounts to little more than moving the first pawns in a multi-dimensional chess game. The tricky moves, as the largely ceremonial Luxembourg talks made clear, start now.

Differing expectations among the 12 about how enlargement will change the Community are complicating the negotiations. The talks are already stuck in a morass of intimidating detail, as the two sides work through lists of demands from the applicants.

No one doubts that the shape of European integration will be transformed if the candidates - all members of the loose European Free Trade Association (Efta) - enter the Community as planned in 1995. That has been the experience with previous EC enlargements, although this one is bigger.

With Danish voters last month changing their minds about ratifying the Maastricht treaty, there is renewed optimism among former Efta members of the Community, including the UK and Denmark itself. They hope that accession by the four will tilt the balance of power decisively away from the federalist core of the EC - the founding six, France, Germany, the Benelux countries and Italy - reinforced by Spain.

Relief among the federalists at Maastricht's survival is tempered by fears among some that "widening" of the EC may come at the expense of "deepening", that is, a more integrated European union. Among southern member states, this suspicion is heightened by fear that expansion could shift the Community's centre of political gravity northwards.

Previous enlargements have led to marked deepening as well as widening. But following the popular backlash across Europe against Maastricht, it is less certain how the proposed new expansion would affect the distribution of power in the EC. Nonetheless, the probability remains that, as in the past, the enlargement will gradually reinforce the power of the Community.

When the UK, Denmark and Ireland joined the EC in 1973, federalists blamed the enlargement for what was viewed as the Community's near paralysis in the late 1970s and early 1980s. There is, however, a distinction between paralysis and, as the Emperor Augustus had it, hastening slowly. The Community moved slowly indeed, but clearly towards greater integration.

As a result of that 1973 enlargement, the EC agreed a loose foreign policy co-ordination mechanism (European Political Co-operation, or EPC) - a trade-off for France's dropping its veto on UK entry - and its own budgetary resources. These appeared modest initiatives, and indeed the revenue decision led to a long war of attrition over EC budget contributions, dominated by the UK. Yet these budget rows have led to the two Delors finance packages of 1988 and 1992, which in each case included a doubling of regional spending, arguably the EC's most federalist policy.

The need to spend on developing the poorer south, in particular, arose from the second enlargement, which brought in Greece in 1981, and Spain and Portugal in 1986. But that expansion also reinforced the case for majority voting and a weakening of national vetoes in EC decision-making, decisive in getting the EC's single market into law. All these seemingly modest increments combined to add greatly to the political density and identity of the EC.

Indeed, the common foreign and security policy and extension of majority voting foreseen by Maastricht developed organically from the earlier moves. The EC, in its

The first round of EC enlargement talks was successful, but the hard bargaining is just beginning, says David Gardner

Difficult recipe for a bigger cake



willy-nilly way, has a habit of creating problems only to look for solutions through greater integration.

In the present case, despite federalists' fears, it is already clear that the Scandinavians and Austria favour even more majority voting in a host of areas, which would further dilute the ability of member states, such as the UK, to block or veto measures they dislike.

The applicants want more activism on social policy and the environment and a voting mechanism to deliver it. If the social chapter of Maastricht, from which Britain triumphantly wrested exemption, were not in the treaty, politicians across the spectrum in all the applicant countries say they would be less interested in joining.

"We wouldn't dream of not accepting this [the social chapter]," says Ms Kaci Kulmann Five, leader of Norway's conservative party. "You will find Norway in a group wanting more effectiveness on these kinds of concerns," says Mrs Gro Harlem Brundtland, Norway's Labour prime minister.

Enthusiasm for more majority voting extends into other sensitive areas, such as industrial policy, which the Community now barely touches, and even into Maastricht's common foreign and security policy (CFSP), where unanimity is now the invariable rule.

Norway is a Nato member but its three fellow applicants are neutral states. Nevertheless, sitting on the borders of eastern Europe, with the relative certainties of the cold war now gone, all four have high hopes for the embryonic CFSP.

"Our position would be for majority voting" in foreign policy "if you want to become an organisation that can act," says Ms Helga Hernes, Norway's minister for Europe.

Mr Bjorn Tore Godal, trade minister and chief Norwegian negotiator, specifies that "majority voting should inform policy on issues like Yugoslavia", on which the EC's

record is not widely admired among the applicants.

Austrian and Finnish officials say they have no problem with majority voting within the CFSP. Sweden is more cautious, according to Mr Lars Anell, its ambassador to the EC, but would favour "stepping aside to let others go ahead" where it was outvoted.

In contrast with the UK and Denmark, all four are keen (and plausible) applicants for economic and monetary union later in the century. They feel that the mangling of the Finnish mark and Swedish krona in the backwash of last autumn's crisis in the European exchange rate mechanism makes an even stronger case for fixed exchange rates.

The entry of the four should also greatly strengthen the free trade wing of the EC, curbing the protectionist tendencies often associated with France. The Scandinavians would, in addition, help open up more EC decision-making to public scrutiny, eroding the secretive habits derived from British, German and French practice.

The four, in sum, would not fit into any existing voting alliance on EC policy. But, by the same token, they are not likely to provide decisive reinforcements against federalism - as Mr John Major, the UK prime minister, suggested they would, in a recent interview with the FT.

"If that's the way they [the British government] think it is, they're in for a big shock," said a senior EC official closely involved in the negotiations.

"We will fight for a more federalist Europe, naturally," Mr Hans Brunnmayr, deputy chief of the Austrian mission in Brussels which is leading Vienna's negotiations, observes more prosaically.

But they are not in the Community yet. All four say they are ready to comply with the 12's injunction that they must accept not only existing EC law, but all of Maastricht too, without Danish or British-style opt-outs. Yet they warn that unless the EC accommodates a

range of national interests and cultural differences, entry is impossible. The most problematic policy areas are:

● Agriculture. Some 60 officials in Brussels are already ploughing through 500 pages of Austrian position papers seeking privileged treatment for its Alpine farmers. That should be easy in comparison to the treatment the three Nordic applicants insist on for their Arctic farmers. Farm subsidies per capita in the four are up to twice the already high EC average. If the EC farm regime is complex and wasteful now, even after last year's reform, extending it from the Mediterranean to the Arctic sea is the stuff of nightmares.

The Scandinavians say high subsidies to farmers are needed to keep people in their thinly populated northern territories, along with lavish regional grants. "It is compulsory for us to get a solution," says Mr Heikki Haavisto, the farmers' leader and Euro-sceptic who Finland last month appointed as foreign minister to stand as guarantor in what it regards as the decisive issue of the negotiations.

For Norway, retaining control of its rich fisheries resources is also decisive. "The question of fish will determine the referendum," says Mr Jan Henry Olsen, the fisheries minister and another of the previously anti-EC figures which the applicants have thrust into the front line of negotiations. "We have no fish to give away," he adds bluntly.

● Environment. All the applicants fear the EC will erode their generally higher environmental standards, by insisting that these constitute barriers to free trade in the EC's single market. Sweden, for instance, is unlikely to win agreement on all its higher standards on vehicle emissions and safety.

A senior Brussels official rates the "green" issue as much worse than adjusting to Spain and Portugal's economic problems, the crux of the last enlargement negotiations. "It will be a major challenge to show that they're improving their lot," he says. "If we don't pub-

lic opinion will see it as vandalising their quality of life."

● Energy. Norway reserves half of all exploration rights to its rich oil and gas reserves for its state oil company, Statoil. Draft EC legislation, due to be discussed by the 12 this month, would outlaw such preferences as discriminatory. Oslo wants any decision shelved until Norway enters the EC, and says this measure alone could decide whether that happens. But Germany looks as though it will champion a postponement.

● Money. This issue will rear its ugly head at the final stage of negotiations. Overall, the four are richer per capita than the 12, and will be substantial net contributors to the EC budget. Spain, as ever, will want more, but the real problem will arise if the Scandinavians seek to offset too much farm spending against their budget contributions, or to phase these in.

If all these hurdles are cleared, the Efta four will then step into the political minefields of defence and the reform of EC decision-making. The shape of a more integrated European defence policy, which Maastricht alludes to, is still a matter of fierce debate in the Community. Yet federalist countries such as Belgium, which will assume the EC presidency in July, want commitments from the four now to an eventual common defence policy.

"Before giving answers, we should know the real questions," says Mr Pertti Salolainen, trade minister and chief negotiator for Finland, which along with Austria has said it wants to be part of a future European security system.

The main concern among the neutrals, as summed up by Mr Jaakko Ikonen, head of the pro-EC Centre for Finnish Business and Policy Studies, is the vagueness of EC defence plans. "Are we going to give up a tried policy [of neutrality] for a series of half-baked guarantees?" he asks.

Institutional reform, to adapt the EC's creaking decision-making machinery to a possible doubling of Community membership once eastern Europe is embraced early next century, has officially been shelved until the 1996 constitutional review fixed by Maastricht. The EC's formal line is that no more than technical adjustments are needed to fit in the Efta four.

Yet already the intra-EC factions are staking out their positions for 1996, and this is unnerving the applicants. The four seem likely to become entangled in the emerging struggle over whether to lower the threshold required for decision-making under the EC's weighted majority voting, as part of this enlargement.

Federalist countries want a lower threshold, making it harder for countries such as the UK to block decisions. The applicants' primary concern is to get enough voting weight in the new arrangement. But they must, above all, be able to demonstrate to their peoples that whatever is agreed will work in the interests of small to medium-sized member states. Fear of being submerged by their bigger partners was one reason Danish voters no to Maastricht a year ago.

Already the prospect of enlargement shows signs of leading to a strengthened Franco-German alliance - the main axis of the EC - and possibly even a closer relationship between these two and the UK, completing a "big three". The smaller member states are ever vigilant on changes in the EC's delicate balance of power. They see the Commission as a shield for their interests, and last autumn they rallied to defend Brussels when the big countries wanted a big roll-back of its powers, in the name of subsidiarity.

The Efta four are acutely sensitive about sovereignty and their vulnerability as small states. Yet they appear prepared to check their national vetoes at the door if they get the right terms to enter the EC. That is why their terms are high, and getting all four in is no foregone conclusion.

OBSERVER

Paradise lost?

Like the Hawaiians *Aloha, Tahiti's Jo Orz* is a salutation that can stand for both "hello" and "goodbye". But it can hardly mean "welcome" as the Pacific Islanders say it to the latest newcomer - income tax.

Whether the innovation means goodbye to Tahiti's claims to be an earthly paradise is open to question. It would certainly be denied by the government of French Polynesia, whose excuse is that the tax is needed to supply a social welfare system and more decent roads, housing and health care.

Besides, the government says, the tax won't be levied on incomes below about £7,900, and even above that the rate will be only 3 per cent. But isn't that a figure we've heard somewhere before?

Well, almost - because it was at the rate of 2.9 per cent that income tax was first imposed as a peacetime measure in Britain in 1842. Of course, as prime minister Sir Robert Peel pledged at the time, it was to last at most three years...

Revolving door

Sounds as if the World Bank has finally found a chief economist to fill the gap left by Larry Summers who quit many months ago to be under-secretary of state for international affairs at the US

Treasury

Michael Bruno, the former governor of the Bank of Israel, is expected to step up to the plate next week.

Bruno had been offered the World Bank job back in February but turned it down in favour of a similar post at Jacques Attali's European Bank for Reconstruction and Development, saying he wanted to be closer to his home and family in Jerusalem. Then he backed off EBRD because he was unhappy with the EBRD's staffing and budgetary constraints. He stresses that it had nothing to do with Attali.

In going to Washington he follows a fairly well worn path. Jacob Frenkel, former chief economist at the IMF, replaced Bruno as head of the Israeli central bank.

Moreover Stanley Fischer, who was Larry Summers's predecessor at the World Bank, has taught at Jerusalem's Hebrew University where Bruno is currently Melchior Professor of International Economic Policy.

Rights time

Has anyone else noticed a point that the stock market appears to have overlooked in its generally enthusiastic response to George Wimpey's first ever rights issue?

Sir John Quinton had been chairman of Barclays Bank for only nine months when he stunned the market by launching a £90m rights issue in early 1988, and we all know



"We'll have to drop short-termism for a while"

what happened after that. Now, six months after Quinton took the chair at Wimpey, it is asking its shareholders for money.

No doubt it is all for a jolly good cause. But when it comes to losing other people's money and replenishing it with rights issues, Britain's bankers are in a class of their own.

'Ere we go

The City is full of strange bed-fellows. So perhaps it's unfair to highlight the irony in the move by Thatcherite David Paskall, a former member of the Number 10 policy unit, to work for Lord

Hollick, founder of the leftish Learning Institute for Public Policy Research.

Paskall - who has been made an offer he couldn't refuse from Hollick's MAI - brushes political differences aside, calling his new boss "first and foremost a professional businessman."

Perhaps even more intriguing is what Paskall, former chairman of the National Curriculum Council, will make of the language on MAI's dealing floor.

During his campaign to raise the standards of spoken English, it emerged that he was deeply offended at the "sloppy talk" of children's TV presenters.

No handicap

You might think that a hole-in-one would be every amateur golfer's dream. Not so in Japan, where the souvenirs and celebrations a lucky player is expected to pay for can leave him seriously out of pocket.

But in other people's misfortune lies an insurance company's business opportunity: hole-in-one protection plans. For a few yen a week Japanese golfers can insure against the calamity of ever getting a hole-in-one.

Plug pulled

When his days of driving up and down the M4 in pursuit of a political career are done, Rhodri Morgan should apply to be a

headline writer. The Labour MP for Cardiff West called Observer yesterday to leak a secret about the Llangollen conference centre, where in a few hours from now Premier Major is set to address whatever may be left of the Conservative party in Wales.

Having heard that the venue had too few if any toilets, Morgan suggested that the lack was worth reporting under the headline: "Major meets his Port-a-loo."

Nice one, Rhodri...but it isn't true alas.

Llangollen's newly-built Royal International Pavilion pulled the plug on the tale by saying that besides having enough conference space for unlimited verbal outpourings, it has physical facilities sufficient for an attendance of 16,000 at least.

So whatever the prime minister's effect on the 800 or so Welsh Tories expected, the drains should be able to cope.

Well staged

Dramatic emphasis was given to the much improved results presented by Chubb Security's Sir Ernest Harrison, whose policy of demerging Vodafone and Chubb from Rascal has staved off hostile bids, and seen the value of all three companies rise.

He gave his presentation at London's Waldorf hotel. Playing at the theatre next door...The importance of being Earnest.

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Japanese cabinet ministers argue over whether recession has ended

By Charles Leadbeater in Tokyo

THE HIGHEST ranks of the Japanese government are arguing over whether the two-year downturn in the Japanese economy has come to an end. The debate became open after a senior economic minister yesterday announced the recession had bottomed out.

Mr Hajime Funada, minister in charge of the economic planning agency (EPA), one of the weakest ministries in the Tokyo pecking order, delivered the judgment to a monthly ministerial meeting to assess the economic outlook.

Mr Funada said: "After carefully observing economic movements I am sure the economy has

hit bottom." For the last three months, the EPA's diffusion index of economic indicators has suggested the economy is recovering.

Mr Funada's assessment provoked a sharp rebuke from the powerful Ministry of International Trade and Industry (MITI), which believes it is too early to say whether the recession has reached its trough. MITI's position is supported by senior bankers, industrialists and retailers.

Mr Yuji Tanahashi, MITI's vice-minister, emphasised there was no consensus within the government over the state of the economy. He said MITI believed the bottom of the recession was at least two or three months away.

The EPA alleges that MITI is more pessimistic simply because the business lobbies which the industry ministry represents want to maintain pressure on the government for further public spending to boost the economy.

For their part, MITI officials dismiss the EPA's forecasts because the agency persistently underestimated the scale and intensity of the downturn. The Bank of Japan, which is cautious about prospects for recovery, will weigh into the debate along with its closely watched quarterly survey of the state of the economy.

The dispute within the government, which has been joined by industrialists and bankers, reflects a widespread belief that

the next few weeks will mark a critical period, as the ¥24,000bn (\$226bn) the government has pumped into the economy over the past year in emergency spending measures feeds through into the private sector.

Business leaders generally back MITI's stance. Mr Masami Tachikawa, chairman of the trust companies association, said that still stagnant consumer spending meant "nobody can say the economy is set for a smooth recovery".

Mr Isao Nakachi, Dai-ichi department store chain president, said: "As far as personal consumption is concerned, it can hardly be said that the domestic economy has hit bottom."

Ex-premier accused over witness

Continued from Page 1

Mr Buscetta as claiming that the Pecorelli killing was ordered by the Salvo cousins as a favour to Mr Andreotti. Both the Salvo cousins are alleged to have been involved in the killing of Mr Andreotti. Mr Pecorelli was a journalist linked to the secret masonic lodge P2 and the extreme right. He ran a small magazine, OP, which specialised in peddling inside information on politics, the security services and the Mafia in a highly cryptic style.

In reopening the case, Rome magistrates have focused on the curious circumstances of the last OP edition before Mr Pecorelli was killed. This was to have had a cover on Mr Andreotti headlined "The President's cheques", which was substituted at the last minute.

The "president" referred to Mr Andreotti's position as prime minister (president of the council of ministers). The cheques referred to Mr Andreotti's alleged involvement and control over financing - at least to the tune of L1.4bn (\$585,000) - which came from illicit funds of Italcasse, the state banking institution, the now defunct chemical group SIR of the late Mr Nino Rovelli and the Calligone building group.

The magistrates allege Mr Andreotti had direct use of these cheques. When questioned on May 25 about the cheques, his testimony conflicted with that subsequently given by Milan financier, Mr Ezio Radaelli. The latter claimed he had received L170m from Mr Andreotti and that an emissary from the former premier had attempted to persuade him he had obtained the money from another source.

"It has been proved that after Senator Andreotti had been interrogated on May 25, he exerted pressure via a colleague on a witness to tell a different story," the magistrates report. Mr Evangelisti also claimed he received money from Mr Andreotti.

Colonials' victory secures a corner on sports pages

By Jurek Martin in Washington

IT DID NOT quite make the front pages, but at least it made the front page of the sports sections, which soccer rarely does and especially not on mornings after the finish of ice hockey's finals, the first round of basketball's championship series and a full major league baseball schedule.

The New York Times even thought it worthy of wry humour. Its skyline read: "In another upset, Colonials 2, Red Coats 0." Just in case the point was missed, its story of the match was headlined: "Redcoats in Massachusetts? You already know the result."

Other newspapers were a little more prosaic about the US victory over England's soccer team in Foxboro, just down the road from Lexington where the "first shot around the world" - the start of the American Revolution - was heard in 1776.

The Washington Post's historical comparison could only reach back as far as 1899 to the great US triumph in the World Cup qualifying competition over mighty Trinidad and Tobago. But even to raise that equally epochal US performance must have hurt the English.

Of course, there were many references to the 1950 US victory over England in Belo Horizonte, but that was an achievement far more burned in infamy in English recollections than in the American sporting consciousness.

After all, in 1950 Ted Williams was still in his prime and Jackie



Headline humiliation: A taste of how some of the UK's tabloid newspapers reported England's 2-0 defeat by the US

Robinson, the first black in major league baseball, was capturing the national imagination. But this was also matched by simple amazement about the Wednesday result; after all this is a US team whose record in its last 15 matches, several against Caribbean and Central American teams, was a miserable single win (against Saudi Arabia), five losses and nine draws; it had failed to score in nearly 400 minutes play.

Soccer has had a hard time re-establishing itself in the US since Pele hung up his boots for the New York Cosmos 15 years ago. But, as host of next year's World Cup, the US soccer establishment is at least trying and a victory over England can do no harm.

But the competition for attention on Wednesday night was unusually severe. The last round of the Stanley Cup saw the Montreal Canadiens beat the Los Angeles Kings 4-1. The US is a

UK clubs risk own goal, Page 6

New Gatt chief looks to G7

Continued from Page 1

leading to the conclusion of the Round," Mr Sutherland said. He did not believe the Gatt talks would collapse over agriculture.

The former commissioner, who played a leading part in design-

ing the EC's single market programme, made it clear he would take a hard line against any country obstructing progress towards a world trade deal.

"I see my role as a political role, where I'm going to say it is, and, I hope, bluntly face

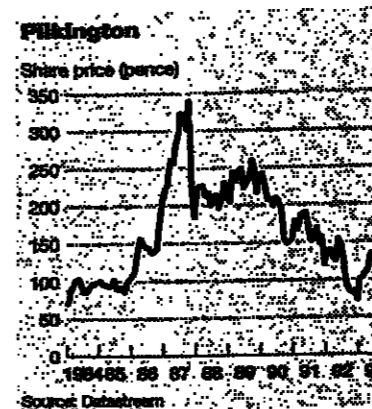
negotiating parties with their responsibilities."

The Gatt, he said, and by implication the multilateral trade organisation which could succeed it, could and should become "a major organisation in world governance".

THE LEX COLUMN

Fixing Ferruzzi

FT-SE Index: 2860.0 (-6.9)



sales is from an extremely depressed base, with margins remaining under pressure. Wimpey's contracting market is unlikely to pick up until at least 1995. Its minerals business, too, will lag recovery. Things would seem sticky if interest rates rise again later this year. With the sector on a forward multiple of more than 20, there is little room for disappointment.

Having seen Wimpey's shares run up from 67p to 187p since September, Mr Joe Dwyer would have had to have been wearing a particularly prickly hair shirt to have shunned the opportunity to tap the market. But that only reinforces the suspicion that Wimpey, at least, did not believe its shares had much further to run. Shareholders might perhaps take the hint.

George Wimpey

It would be tempting to view Wimpey's £104m rights issue as a sign that sunny days are here again for the UK's volume housebuilders. The 55 per cent increase in Wimpey's housing sales this year and its suggestions that prices are firmly on the rise reinforces the impression. Investors taking a long view will doubtless appreciate the issue's attractions. Wimpey has lost almost 40 per cent of its shareholder funds since 1989. But now may be the time to bolster its balance sheet to gear up for recovery. Fresh money will be pumped into cheap land and Wimpey's cash-starved quarry businesses at the bottom of the cycle. Wimpey can move from defensive to offensive mode.

Unfortunately, the industry's forthcoming results season could reveal a different picture. The surge in housing

Racal/Chubb

Racal is an example of constructive divorce in action. Over the past five years, Racal shareholders have done well by spinning off Chubb and Vodafone. The three companies now have a combined market capitalisation of £6bn: before the process Racal was worth only £1.55bn. When the £400m injection from the sale of the first 20 per cent of Vodafone is included, the value of the companies has trebled since 1988, while the FT-SE All-Share index is only up by 55 per cent.

Since the Chubb demerger was announced, the FT-SE mid 250 index has risen by 47 per cent while Racal and Chubb are up by 61 per cent. The outperformance is equivalent to a rise in the old-style Racal shares from 65p to 75p, which is approximately what the company's advisers suggested would be the impact of demerger. Wil-

liams must now wish it had increased its bid.

Much of the overall rise in value has come from Vodafone's extraordinary profitable cellular phone business. It is hard to know what would have happened without a split, but the experience must give Securitor pause over its stake in Cellnet. US interest in Vodafone certainly increased when it became a purely cellular operation. Vodafone's management has since concentrated on expansion, and Chubb's on cost-cutting. Ironically, both demergers were defensive responses to predators as is Racal's split. That, however, is hardly liberating a Vodafone-style boom business, so Racal shareholders must hope that management can pare away at costs to release more limited value.

Pilkington

Pilkington has such a wretched recent history that it is hard to give it the benefit of the doubt. Yesterday's dividend cut may thus be widely seen as vindicating the view that the payment should have been trimmed last December when the German car industry was already heading for serious trouble. If Pilkington's judgment was wrong then, there is no reason why it should be any better now. Projections that it is getting to grips with its cost base and determined to reduce its debt without a large rights issue ring hollow when the company still seems subject to such drift.

At such moments, though, obsession with past mistakes is dangerous. It can obscure the turn. There is also room for a more positive view. Mr Roger Leverton, the new chief executive, is starting to make his presence felt. The acquisition of Heywood Williams' glass distribution business will help. So will Italy's STV - assuming it can be bought at a reasonable price.

Even so, Pilkington's recovery cannot be anything other than painfully slow. It will probably be three years before dividend cover is anything like reasonable. Despite the planned disposal of the US Soda business and its high operational gearing, the company will struggle to reduce its near 90 per cent gearing. A more radical programme of disposals - even extending to the lucrative southern hemisphere - may be needed. With the shares up over 80 per cent since last October, the market must be bettering either that Mr Leverton will persuade his masters of this necessity or that a bidder will end up doing it for him.

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FT WORLD WEATHER

Europe today

Thunder storms, some with heavy rain, will move into northern England. On the continent a band of thunder storms will swing north-east from France into Germany, and the Low Countries. Ahead of these thunder storms it will be still, hot and humid in central Europe. Warm air with an occasional thunder shower will spread into the western part of the Commonwealth of Independent States. However, strong westerly breezes will bring cool and cloudy weather with gusty showers into Ireland, the southern UK and France. The Mediterranean will remain rather sunny and dry.

Five-day forecast

Cool and windy with many showers prevailing on Saturday in England, France and the Low Countries. Scotland and Ireland will be clearer. Most of the continent will be cloudy and rainy. Thunder storms will move into Russia. Settled but still rather cool weather will arrive in England and France on Sunday, and will spread across western Europe early next week. However, very windy weather over the North Sea and Denmark will linger throughout Monday and Tuesday.

TODAY'S TEMPERATURES

Madrid	26	Berlin	24	Chicago	28	Paris	24	Majorca	28	Pangoon	32
Abu Dhabi	34	Cebu	28	Cologne	22	Frankfurt	24	Malta	32	Rangoon	32
Accra	29	Dublin	18	Dallas	28	Geneva	22	Manila	32	Seoul	28
Algiers	28	Edinburgh	15	Detroit	28	Hamburg	22	Melbourne	28	Singapore	32
Amsterdam	20	London	18	Los Angeles	31	Helsinki	17	Mexico City	28	Stockholm	18
Athens	30	Luxembourg	18	Manila	31	Hong Kong	28	Moscow	28	Strasbourg	21
Bangkok	34	Nice	22	Montreal	28	Honolulu	30	Munich	28	Taipei	28
Barcelona	28	Osaka	28	New York	28	Istanbul	28	Nairobi	28	Tokyo	28
Beijing	28	Perth	28	San Francisco	28	Jersey	28	Naples	28	Toronto	22
Belfast	18	Prague	28	Sao Paulo	28	Karachi	38	Nassau	28	Ulaanbaatar	28
Belgrade	18	Rangoon	32	Sydney	28	Kuwait	38	Norfolk	28	Yokohama	28
						La Paz	28	Palma	28		
						Las Palmas	28	Paris	24		
						Lisbon	22	Rome	32		
						London	18	Sydney	28		
						Los Angeles	31	Tokyo	28		
						Luxembourg	18	Ulaanbaatar	28		
						Lyons	28	Yokohama	28		
						Madrid	28	Zurich	28		
						Manila	32				

Forecasts by Meteo Consult of the Netherlands

Lufthansa

هكذا من النحل

SOUTH AFRICA

Friday June 11 1993

De Klerk talks about his bottom line in constitutional negotiations
Page 3

A steam safari in the world's most luxurious train
Page 8

After nearly four years of upheaval, South Africa desperately needs a political settlement. Both Nelson Mandela and President F.W. de Klerk are determined to deliver a negotiated government of national unity. But time is running out. Patti Waldmeir reports

Yearning for stability

THE centre holds. It held when South Africa faced the biggest political crisis of the post-apartheid era, the assassination of African National Congress leader Chris Hani. It held when the butchers of Boipatong and Bisho cut down innocent blacks. It held when black hands murdered white farmers. Over the past year, the centre has held against all the odds, against every threat from right or left. And it holds still.

For a country divided by history and design, with one of the world's highest rates of crime, political violence, unemployment and poverty, that is something of a miracle.

Over the next year, there is every chance that the centre will grow stronger still - if only because the spectre of racist radicals to left and right will frighten the ANC and the ruling National Party into an ever-tighter embrace. Weakness has always been the cement which bound their reluctant alliance - each knew it could not survive without the other - and that bond can only grow as inevitable defections to hard-line black and white parties (such as the black supremacist Pan Africanist Congress and the Afrikaner nationalist Conservative Party) render each weaker still.

But within that centre ground, the most momentous shifts are taking place: for sometime over the Easter

weekend - the fateful weekend of the Hani assassination - the National Party passed an historic point of no return. The balance of power - still nominally Pretoria's, with its control of the security forces, the administration and the fiscal purse-strings - began to tilt in favour of those who must eventually take over as the dominant force, the ANC.

President F.W. de Klerk, with all his police and soldiers, had no choice but to hand over responsibility for law and order to ANC president Nelson Mandela. Mr Mandela - not Mr de Klerk - issued a televised appeal for calm, in tacit admission that only he could prevent the threatened descent into chaos. Mr de Klerk controlled the state; but Mr Mandela controlled the nation.

Since then, President de Klerk has done all he can to restore the credibility lost during that period, when National Party supporters finally faced the inevitable: the loss of monopoly white power, and the spectre of black rule. He has ostentatiously wielded the levers of power - rejecting, to ANC howls of outrage, an independently-chosen board of governors for the state-owned South African Broadcasting Corporation - and insisting (as he does elsewhere in this survey) that the hand of a National Party leader will remain on the tiller for the



Seat of government in Pretoria: Nelson Mandela, Mangosuthu Buthelezi and F.W. de Klerk are vying for power in the new South Africa

foreseeable future.

But many of his supporters - and a substantial section of his caucus - seem to have lost faith in these assurances. White morale has never been so low, generating a boom for international removals companies. According to the most recent opinion poll, National Party support among whites has fallen below 25 per cent for the first time.

This may not be good news for South African democracy. For Mr de Klerk's mission has ever been to ensure that moderate forces - led by him, and including the Afrikaner nation which he alone can protect - can prevent a black government from ruling unchecked. If he thinks this goal is threatened, he is likely to harden his bottom line.

He has made clear his demands: the National Party will require what amounts to a

veto over cabinet decisions on fundamental issues - until at least the end of the century, perhaps beyond.

ANC leaders reject this, though they have conceded the first post-election cabinet will include all leaders with more than 5 per cent of the popular vote (with cabinet posts distributed proportionately) and that Mr de Klerk will have what amounts to a veto over a very limited number of issues.

They have also conceded that significant powers be devolved from central to regional governments - another check on ANC domination, demanded by Mr de Klerk - but the detailed distribution has yet to be agreed. In narrowing the gaps on these issues, Messrs de Klerk and Mandela will finally answer the question they have so long avoided: who will wield real power in the new South Africa?

tion of power to regions.

Their dual challenge is to finalise their own agreement on power-sharing (which could prove more difficult than anticipated, if Mr de Klerk is serious about a permanent arrangement) while trying to drag other parties into the deal. Their goal is to ensure that those who could do most to sabotage elections and destabilise a new government - the mainly Zulu Inkatha Freedom Party, the black-radical Pan Africanist Congress, the right-wing Conservative Party and the moderate-right Afrikaner Volksunie - will give a new constitution their blessing.

They may soon conclude that is an impossible task. So far, they have kept all parties at the table primarily by skirting important issues; but time has run out on such leisurely tactics. Before September, they must agree an interim constitution under which to hold elections; settle a host of problems such as the powers of the transitional executive, and of independent commissions to oversee elections and the state broadcast media; resolve the issue of joint control of the security forces and political armies; and agree the principles by which writers of a final constitution will be bound.

This list goes on and on. Negotiators from both sides make clear that a deal will be pushed through, no matter who disagrees (Inkatha's broadly constructive attitude at the talks suggests Chief Mangosuthu Buthelezi has accepted that reality). Legitimacy will be guaranteed either by free and fair elections (a long shot, given the present violence), by a popular referendum - or not at all. Dissent will be dealt with either within the constitution, or outside it, but it will be dealt with.

It would be a shame if South Africa ends up with no more than - in the words of ANC constitutional expert Abbie Sachs - "deracialised oppression". But if the choice is between peace, stability and economic growth on the one side - and democracy on the other - South Africa may yet decide democracy is a luxury it cannot afford.

IN THIS SURVEY

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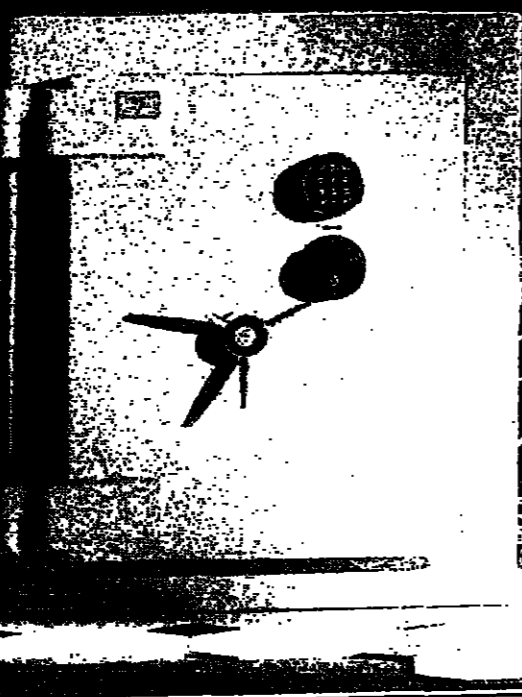
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Editorial production: Roy Terry

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SOUTH AFRICA 2

Apartheid, sanctions, disinvestment, political uncertainty and violence have taken their toll, says Tony Hawkins

Structural defects in an ailing economy

SOUTH AFRICANS have to believe that post-apartheid economic performance will break the post-independence African mould. For many such a belief has to be a triumph of faith over experience and possibly even logic, especially since for the past 20 years, the South African economy itself has performed no better than many in sub-Saharan Africa. By the end of this year, per capita incomes, at 1985 prices, will have slipped below \$2,100 to their lowest point since 1970.

The South African economy is certainly not "in ruins" as suggested in 1981 by Nelson Mandela, but then neither is it in anything remotely resembling peak condition. Apartheid, sanctions, disinvestment, political uncertainty, violence and mass action have taken their toll on the economy and continue to do so. The skills base is eroding, and the economy is being hit by a double-digit inflation since the early 1970s, declining investment volumes and efficiency, increased government consumption spending - up to 18 per cent of GDP during the 1985-91 period from 12 per cent in the 1960s - and the juxtaposition of rising real wages and falling formal sector employment.

Structural defects are highlighted in the recently-published Normative Economic Model (NEM) the work of Pretoria officialdom. A decade of stagnation is blamed on double-digit inflation since the early 1970s, declining investment volumes and efficiency, increased government consumption spending - up to 18 per cent of GDP during the 1985-91 period from 12 per cent in the 1960s - and the juxtaposition of rising real wages and falling formal sector employment.

Growth potential has slowed dramatically from an average of 5.5 per cent between 1961 and 1978 to 1.3 per cent in recent years. In narrow macro-economic terms, this is the result of a decline in net investment to less than 4 per cent of GDP since 1985, falling below 1 per cent last year, while the capital output ratio has widened from 2.1 in the 1960s to 3.0, meaning that more investment funds are needed to increase output.

A crucial structural defect, too, is the high level of capital intensity. According to the NEM, a prime goal of a labour-surplus country should be the promotion of labour-intensive techniques, but South Africa has been heading in the opposite direction.

Since 1961, the capital-to-labour ratio has virtually doubled with the result that even were the economy to grow at 4.5 per cent annually for the rest of the decade, unemployment would continue to rise.

Not everyone agrees with this analysis. Not only does it assume that future relationships between investment and employment will replicate the past - a generic weakness of such models - but it is guilty of what Mr Edward Osborn, chief economist of Nedbank, calls "a fallacy of aggregation".

The NEM has several explanations for the rise in capital intensity, including large capital-intensive projects carried out by the state which has left the country with surplus capacity in energy and transport, negative real interest rates which encouraged capital-intensive investments, existing consumption patterns



Area 1.23m sq km
Population 39m
Head of State President F W de Klerk
Currency Rand
Average exchange rate Comm \$1=2.8512 (1992 avg)
Fin \$1=3.8937 (1992 avg)

ECONOMY	1991	1992
Total GDP (\$bn)	107.4	115.0
Real GDP growth (%)	-0.6	-2.1
GDP per capita (\$)	2,826	2,949
Consumer prices (% change pa)	15.3	13.93
Manufacturing production (% change pa)	-3.3	-3.0
Gold mining production (% change pa)	-2.3	1.8
Reserves incl gold (\$bn year end)	3.6	3.2
Discount rate (% pa, year end)	17.0	14.0
JSE industrial index (% change)	38.87	4.63
Total external debt (\$bn)	19.4	18.0
Current account balance (\$bn)	2.7	1.5
Exports (\$bn)	23.7	23.5
Imports (\$bn)	17.1	18.2
Trade balance (\$bn)	6.6	5.3

1 Johannesburg Stock Exchange; 2 Including TBVC states
Source: South African Reserve Bank, Medbank

and, of course, relatively high labour costs. Nedbank is more circumspect, pointing out that the growth in capital intensity in manufacturing is traceable to heavy investment in the steel, synthetic fuels and pulp and paper sectors.

Whoever is right, the prospects for a reversal of this trend - fundamental to the NEM's aim of employment-generating economic growth - are belied by recent significant investment decisions. The principal commodity-based investment projects now being developed - the Alusaf aluminium smelter, the Oryx and Moab gold mines, the Namakwa Sands mining project, and the Columbus stainless steel complex - are all capital-intensive.

This is not to criticise the model's appropriate focus on

employment creation. As a supply-side model, the NEM concentrates on fostering a policy environment conducive to export-led, labour-intensive industrial growth. It says little about the demand side of the equation which, if the Alusaf and Columbus projects are any guide, points in the direction of continuing capital intensity.

Similarly, the country's existing export portfolio reflects an essentially resource-based pattern of industrialisation with direct mining and agricultural exports accounting for more than 70 per cent of the total, and processed primary products for a further 5 per cent. The balance is dominated by iron and steel products (10 per cent) and chemicals (3.5 per cent).

This leaves a little over 10

Gross domestic product

Year	Growth Rate %
1984	5.1
1985	-4.2
1986	0.0
1987	2.1
1988	4.2
1989	1.3
1990	-0.5
1991	-0.4
1992	-2.1
1993*	0.0

* Forecast Source: South African Reserve Bank

Inflation

Year	%
1986	18.5
1987	16.2
1988	12.0
1989	14.7
1990	14.4
1991	15.3
1992	13.9
1993*	11.5

* Forecast Source: South African Reserve Bank and FT

per cent for manufactured exports - dominated by textiles, machinery and equipment. Even that could well be an overstatement when account is taken of re-exports to the sub-continent. Private sector economists argue that in terms of productivity, labour costs and the cost of capital, South Africa is simply not a world class player in manufacturing.

Officials say this is changing, predicting 5 per cent inflation in 1993/94 compared with a forecast 11 per cent this year, and arguing that the NEM's prescriptions of increased market competition and the phasing down of tariff protection and exchange controls will boost international competitiveness.

In part, this optimism is based on the moderation in wage demands and awards that has followed four years of recession, and on the restructuring that has already taken place in gold mining where more than 120,000 jobs have been shed and in the state-owned railway system, Transnet, which has halved its workforce to 135,000 from 280,000 in 1982.

If narrow economic considerations were all that mattered, such optimism might well be justified. But engineering a sustainable fall in inflation and a significant shift of resources from consumption to investment at a time of wrenching political change, when the majority of the population is expecting a "liberation dividend" and when the underlying fiscal situation is far from healthy, will be exceptionally difficult. The signs are that the governor of the South African Reserve Bank, Dr Chris Stals, the architect of monetary restraint, will be reappointed, thereby ensuring that monetary discipline is retained.

But the planned halving by 1997 of the public sector deficit, from a forecast 6.8 per cent of GDP this year, will be extremely difficult to achieve. Even before the transfer of power to a more "people-oriented" administration, the Reserve Bank says the level of

government spending is "exceptionally high", reaching 31.4 per cent of GDP last year.

There will be savings as the apartheid-driven duplication of public services is eradicated, but a significant peace dividend is unlikely given the proposed integration of the ANC's military wing into the armed forces. Spending on job creation, social upliftment and poverty reduction will put an enormous burden on the public purse along with the expansion of public sector employment, the cost of reintegrating the 6.5m people from the TBVC (homeland) states, and terminal benefits for many whites in the public sector and the security forces who will want to embark on fresh careers within and outside South Africa.

Although South Africa is substantially underborrowed externally, domestically it is teetering on the brink of a debt trap. Interest payments which accounted for a mere 3.9 per cent of the national budget in 1978 will absorb 17.4 per cent this year. Unless government spending - and the deficit - are tackled decisively, the public debt, currently 53 per cent of GDP, will escalate pushing the country ever deeper into a debt trap where increased borrowing will be needed to finance interest payments.

African experience in structural adjustment is less than reassuring. Governments have been unwilling, or unable, to impose fiscal discipline. Why should South Africa be any different?

Possibly because it has excess infrastructural capacity, the strongest private sector and financial infrastructure in the continent, a strong skills base - by African standards - and the advantage of having travelled some distance down the learning curve before having to make hard economic choices. The ANC has moved a long way towards the centre



Chris Stals: architect of monetary restraint

Picture: Glyn Davis

largely dropping nationalisation from its policy agenda, softening its antipathy towards foreign investment and backing away from many of its interventionist ideas.

There is a high degree of convergence in economic thinking with economists from the ANC and the labour unions reluctantly accepting that they will not be able to create a brave new world in a matter of

a few years, and that wage restraint and fiscal and monetary discipline must remain at the head of the policy agenda for the foreseeable future. One businessman, who works alongside the ANC/Cosatu alliance in the tripartite National Economic Forum, representing business, government and the unions, is confident that the ANC will be "ruthlessly pragmatic" in economic policy.

Investment	Year	%
	1976	26.2
	1980	26.2
	1982	27.9
	1984	24.4
	1986	20.2
	1988	19.1
	1989	20.8
	1990	20.0
	1991	18.0
	1992	15.9

Source: South African Reserve Bank

GNP per capita	Year	Rand
	1980	2,493
	1970	3,078
	1974	3,294
	1980	3,981
	1985	3,583
	1990	3,544
	1991	3,256
	1992	3,103
	1993*	3,050

* 1993 forecast; 2 Forecast Source: South African Reserve Bank and FT

Resumption of foreign investment is crucial to sustained recovery

In search of skills and technology

AFTER a decade of political turmoil, sanctions and disinvestment, few multinationals have been perched on the edge of their chairs waiting for Nelson Mandela to give the green light to invest in South Africa. But with investment at its lowest level for more than 30 years (15.9 per cent of GDP), and with capital pouring out of the country at the rate of 2.8 per cent of GDP between 1985 and 1992 the resumption of foreign investment is crucial to sustained recovery.

Little is likely to materialise in the near term, though in both business and government there are high hopes of resumed access to IMF and the World Bank funding once agreement is reached at the constitutional negotiations. Welcome though this will be, what South Africa desperately needs is substantial direct investment inflows, bringing with them skills, technology and market access.

The Washington-based Investor Responsibility Research Centre (IRRC) estimates that between 1984 and 1991, 214 US firms or about two thirds of those with investments in South Africa disinvested. As a result, the stock of US direct investment fell to \$700m at the end of the 1980s from \$2.6bn at the start.

Another 180 non-US firms have left during the same period, the majority British-owned. Many foreign firms retained non-equity links with South Africa, which could limit the number of returnees. There have been some moves since the sanctions thaw

begun three years ago with Mr Mandela's release. The IRRC says 16 US companies have quietly opened offices or established subsidiaries in the past two years, including four of the 188 US corporations that disinvested between 1985 and 1990. Six of the new entrants were in the software and computer businesses.

There are now 119 US corporations with direct investments or employees in South Africa, with many more likely to set up shop once second-tier sanctions, operated by more than 60 city, county and state organisations penalising US firms doing business in South Africa, are lifted.

Britain is by far the biggest player with the UK-South Africa Trade Association estimating British investment, direct and portfolio, at more than \$16bn. The London School of Economics Centre for the Study of the South African Economy and International Finance, has identified 51 new investments in the

country since late 1989. While stressing that its database is incomplete the centre estimates the inflow of new direct investment over the past three years at around \$1.5bn or 1.5 per cent of GNP.

The LSE Centre found that the bulk of the resumed foreign investment has focused on a narrow range of activities - those that are highly vertically integrated, knowledge and communications intensive and quality dependent.

More than 85 per cent of the investments identified since 1989 were in five sectors - beverages, hotels and leisure, electronics, chemicals and oils and engineering. According to the IRRC, a feature of renewed US investment is the switch from equity to non-equity links, with the number of US companies with non-equity links increasing from 184 to 299. South African Reserve Bank figures show a similar trend. The Bank's census of foreign transactions for 1989, just released, makes a distinction between direct and non-direct investments, noting that the share of the latter has risen from 46 per cent of the total in 1978 to more than 76 per cent in 1989.

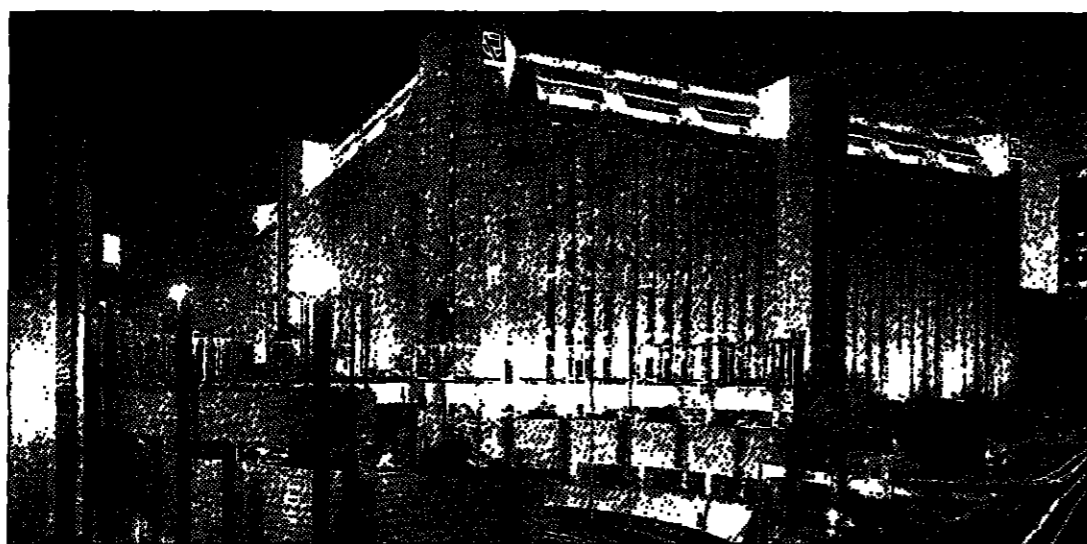
This may well be the present game plan, but it assumes not only that the ANC will abandon much of the ideological baggage accumulated during its years in the political wilderness, but also that its constituents - the unions, the students, the peasants and the unemployed - will be willing to forgo better tomorrow in anticipation of better and just in five years' time.

The optimists argue that it need not come to this; that the recent surge in the gold price and the forecast world economic recovery will provide a window of opportunity taking the pressure off the balance of payments, the budget deficit and monetary policy. The upbeat scenario has a final agreement on the debt standstill in place before the end of this year, resumed access to IMF and World Bank funding during 1994, the rationalisation of tariffs and partial liberalisation of exchange controls, including abolition of the financial rand, and a significant rand devaluation to boost industrial exports.

On this scenario, the four-year-long recession bottoms out in the latter half of 1993, and the economy rebounds on to a 4 per cent growth path from next year. Once devaluation is digested, inflation stabilises at 8 per cent to 10 per cent, and foreign investment resumes in the mid-90s when the international business community is satisfied that the mould really has been broken. For this upbeat scenario to materialise, a formidable array of conditions must be satisfied, most crucially the next government being sufficiently strong-willed to tread the finest of lines between satisfying its disparate constituencies and rebuilding business and investor confidence at home and abroad.

A tall order for any administration, and especially one with a built-in mistrust of big business and a naive confidence in the ability of macro-economic policies to restructure an essentially third-world, commodity-dependent economy.

Tony Hawkins



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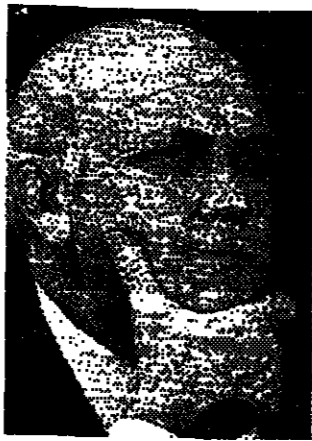
مکان العمل

What is your concept of power-sharing? In a government of national unity we believe that all major parties must play a fundamental role, and I have no doubt that my party will be one of those. But it won't be a white hand (on the tiller of state), it will be the hand of the leader of the National Party which will be the biggest or the second biggest party after an election. There are fundamental differences (on power-sharing) which need to be solved. ... (but) I believe that an agreement on how you structure a government of national unity will be achieved.

Would this not give the National Party an effective veto over decisions made in a power-sharing cabinet? We are not talking about vetoes. We are talking about the need in a government of national unity - with regard to fundamental issues - for the country to be governed on the basis of consensus between the main role players. With regard to matters of average importance one can always have an agreement as to how differences between them can be settled. But with regard to the fundamentals, there needs to be consensus.

And the obvious thing would

De Klerk seeks government by consensus



F.W. de Klerk: fundamental differences need to be solved

be for the main role players immediately after an election getting together, working out a framework: What will our policy during the five years be with regard to the economy, with regard to education, with regard to health, with regard to everything? And that policy framework becomes almost the Magna Carta for that five years.

So we are not talking about a veto: I am talking about the

creation of a basis which makes constructive co-operation possible. The government of national unity cannot succeed if it has a confrontation between the main role players every day. Consensus is arrived at through negotiation and fundamental interaction and a meeting of the minds. A veto calls before the eye proposals put on the table, a vote being taken, one party having the inherent right to say: I veto, I block. It is psychologically quite different from consensus. How do you define this in a constitution?

There are various ways. One can list the type of fundamental principles which need consensus - one can form between the main role players an executive committee and say that executive committee will agree upon the policy principles on which the co-operation within the government of national unity will be based, and they will take decisions by consensus and not by a head count. So a sort of inner cabinet...? Yes: in terms of our proposal,

President F.W. de Klerk set out his bottom line in constitutional negotiations and his vision of the new South Africa, in an interview with Andrew Gowers, Michael Holman and Patti Waldmeir

the members of such an executive committee would on a rotating basis, for instance, act as chairman of the cabinet. Would there be a president as well as a chairman of the cabinet? Well, that's a question for negotiation. I'm easy. But having gone through the experience of being head of state and head of government simultaneously, it is a tremendous task and I personally think that we made a mistake by merging the positions of president and prime minister. How serious is the challenge posed by the Conservative Party to the negotiations? The CP is no longer what it used to be. It has split. I have

no doubt that the Afrikaner Volksunie (a moderate offshoot of the CP) will be on board and even be on board with enthusiasm if a meaningful regional system is assured. And I think that once that agreement is reached they will grow at the cost of the CP. The CP will then be faced with a choice: do we break, or do we adapt? And I have no doubt that there are strong elements in the CP who are looking at adaptation. In that sense of the word I think there are elements in the CP who might opt for a more radical route, but there are definitely also strong elements who will opt for a moderate route. How seriously do you view the threat of a coalition between the CP and the

Inkatha Freedom Party? A real alliance between the IFP and the CP is out of the question because the IFP very strongly rejects any form of racism and is philosophically miles apart from the CP on that fundamental issue. The CP does not stand for just devolution of power and entrenched powers of regions: the CP (is) pleading for an ethnic white sovereign state that would become part of a confederal southern Africa. Would you demand that consensus decision-making be written into the constitution forever, or for just five years? We definitely believe that also in a second constitution or final constitution - whatever one might call it - that the principle of power-sharing must be part of it. But it need not be in exactly the same way that it is achieved in a government of national unity. We are negotiating to have such a principle included in the constitutional principles by which a constitution-writing body will be bound. For the foreseeable future? Yes. We sincerely believe that

a winner-takes-all model is the worst possible model which there can be for South Africa. But there are various scenarios on which I don't want to speculate which contain forms of power-sharing which are totally in step with true democracy and what pertains in many countries in different forms throughout the world. But proportional representation and strong regional government would not be enough? That is not enough. There must be the limitation of the power of any government also when it comes to the executive, not to such an extent that it must be a lame duck government but to ensure, as the founders of the American constitution did, there won't be misuse of power. What will happen if no agreement is reached at the multi-party talks? I've said that if negotiations were to break down the government will have to take responsible initiatives to ensure continued progress. It is something quite different from a go-it-alone scenario.

We are not considering that. But... I really don't believe it will be necessary. I think we're going to get sufficient consensus to move forward in the knowledge that the vast majority of South Africans are supportive. And if no elections could be held? I'm a democrat. I think the people want to vote, especially those who've never had the chance to vote. I'm committed to a democratic process and to constitutional changes being brought about constitutionally. Is your party fully behind you? I've no doubt that I have my party behind me. But what is true is that at grass roots level, because of the continuing violence, because of from time to time irresponsible almost shocking statements being made - like the one of reducing the voting age to 14 - confidence is undermined in the commitment of other role players. If we make a good agreement, this uncertainty will be removed and be replaced by confidence. A bad agreement will result in radicals both to the left and the right growing in strength and the broad moderate centre losing support. I do not intend to sign a bad agreement.

IT MUST have been a rare moment of pleasure for Cyril Ramaphosa, secretary-general of the African National Congress: the chance to call a South African minister of police on the carpet before him, as though Mr Ramaphosa were prime minister of a new South Africa.

That was the scenario two weeks ago, when Hennis Kriel, minister of law and order, was summoned to the multi-party forum in Johannesburg to defend the arrest of 75 leaders of the black-supremacist Pan Africanist Congress, most of whom later released without charge.

After three hours of systematic drubbing from almost every speaker in the 26-party forum, Mr Ramaphosa summed up: for the first time in history, a minister of police had been forced to explain his conduct, not just to whites (in the white-dominated parliament), but to the multi-racial South African public as represented at the forum.

"You were summoned here to prove that your actions were legitimate and you have failed

to prove your case," Mr Ramaphosa told an enraged Mr Kriel. "I want you to remember things are changing."

No one can doubt that Mr Ramaphosa - the most important black leader apart from Nelson Mandela - is one of the

For the first time, a minister of police had been forced to explain his conduct to the multi-racial public

chief architects of change. With wit and intelligence, he has done more than anyone else to steer delegates at the multi-party talks towards constitutional solutions.

Tough, nay arrogant when he can afford to be - with Mr Kriel, for example, who put up a woefully weak defence of the

PAC arrests - charm is Mr Ramaphosa's more frequent weapon. He knows that part of his job as ANC chief negotiator is to help his opponents save face - an especially useful skill when dealing with the proud and irascible Inkatha Freedom Party - and he is never loath to help out, in the interests of constructive compromise.

Mr Ramaphosa spoke recently about the key compromises yet to be achieved: on the related issues of how power will be shared within the Cabinet of a new multi-racial coalition government, and how it will be distributed between central and regional governments.

The ANC secretary-general rejects outright the demand made above, by President F.W. de Klerk, for a system of permanently entrenched power-sharing which would effec-

tively give the National Party a veto over decisions in Cabinet for the foreseeable future.

Mr Ramaphosa and the ANC are clearly willing to go a long way towards accommodating the National Party's desire to retain substantial power in an elected government of national unity - further, indeed, than many of their supporters would wish - but the coalition must be voluntary, not enforced.

"Naturally an inner cabinet will evolve where deadlocks can be resolved," says Mr Ramaphosa, in response to Government's proposal that an "executive council" of the main party leaders (probably the ANC, the NP and Inkatha) should form an inner cabinet which would be forced to take all principal decisions by consensus.

"The key issue is to what

extent you give them formal recognition," he says, reflecting on government's demand that this arrangement be entrenched in the constitution. "An inner cabinet creates a second centre of power - it goes beyond a government of

He is offering little more than administrative control of areas such as health and education to the regions

national unity, making the outer cabinet just a rubber stamp.

"The president will consult, naturally," he says, stressing the ANC's vision of a voluntary coalition, evolving naturally to respond to the need for racial reconciliation in the new South Africa. "But he will have

executive powers." (The ANC's position is that the president will seek consensus on only the most crucial decisions. If this cannot be done, he will proceed after a two-thirds Cabinet vote.)

Mr Ramaphosa predicts success in resolving this issue, as well as the related problem of how power will be shared between regions and central government. "The centre must have overriding powers on certain things but in other areas powers must be exclusive to the other levels," he argues, highlighting a significant ANC concession to those who favour strong regional government (the National Party, Inkatha, and other regionally-based parties): regions must have exclusive powers, entrenched in the constitution.

"The key issue will be to identify those powers," he



Cyril Ramaphosa: charm is a more frequent weapon

says, mentioning "tree planting, dog licences, casino licences" as areas for regional control.

Mr Ramaphosa knows that

Inkatha will never settle for menial powers for regions, and he offers this list mostly in jest.

But even when serious, he is offering little more than administrative control of areas such as health and education to the regions: the national government must set policy in these areas, he says, adding "central government must have overriding powers if a region deviates from national policy".

Regionally-based parties, especially Inkatha, continue to demand more power, but the ANC leader nevertheless believes agreement will be reached on this issue soon. Indeed, he is confident of agreement soon on all the constitutional measures needed to ensure the first multi-racial elections can be held by next April.

But then, he has little choice but to be optimistic: no ANC leader is more closely identified with negotiations; Mr Ramaphosa has a vital vested interest in success.

Patti Waldmeir

PROFILE: Cyril Ramaphosa

Tough but charming architect of change

to prove your case," Mr Ramaphosa told an enraged Mr Kriel. "I want you to remember things are changing."

No one can doubt that Mr Ramaphosa - the most important black leader apart from Nelson Mandela - is one of the

For the first time, a minister of police had been forced to explain his conduct to the multi-racial public

chief architects of change. With wit and intelligence, he has done more than anyone else to steer delegates at the multi-party talks towards constitutional solutions.

Tough, nay arrogant when he can afford to be - with Mr Kriel, for example, who put up a woefully weak defence of the

PAC arrests - charm is Mr Ramaphosa's more frequent weapon. He knows that part of his job as ANC chief negotiator is to help his opponents save face - an especially useful skill when dealing with the proud and irascible Inkatha Freedom Party - and he is never loath to help out, in the interests of constructive compromise.

Mr Ramaphosa spoke recently about the key compromises yet to be achieved: on the related issues of how power will be shared within the Cabinet of a new multi-racial coalition government, and how it will be distributed between central and regional governments.

The ANC secretary-general rejects outright the demand made above, by President F.W. de Klerk, for a system of permanently entrenched power-sharing which would effec-

tively give the National Party a veto over decisions in Cabinet for the foreseeable future.

Mr Ramaphosa and the ANC are clearly willing to go a long way towards accommodating the National Party's desire to retain substantial power in an elected government of national unity - further, indeed, than many of their supporters would wish - but the coalition must be voluntary, not enforced.

"Naturally an inner cabinet will evolve where deadlocks can be resolved," says Mr Ramaphosa, in response to Government's proposal that an "executive council" of the main party leaders (probably the ANC, the NP and Inkatha) should form an inner cabinet which would be forced to take all principal decisions by consensus.

"The key issue is to what

extent you give them formal recognition," he says, reflecting on government's demand that this arrangement be entrenched in the constitution. "An inner cabinet creates a second centre of power - it goes beyond a government of

He is offering little more than administrative control of areas such as health and education to the regions

national unity, making the outer cabinet just a rubber stamp.

"The president will consult, naturally," he says, stressing the ANC's vision of a voluntary coalition, evolving naturally to respond to the need for racial reconciliation in the new South Africa. "But he will have

executive powers." (The ANC's position is that the president will seek consensus on only the most crucial decisions. If this cannot be done, he will proceed after a two-thirds Cabinet vote.)

Mr Ramaphosa predicts success in resolving this issue, as well as the related problem of how power will be shared between regions and central government. "The centre must have overriding powers on certain things but in other areas powers must be exclusive to the other levels," he argues, highlighting a significant ANC concession to those who favour strong regional government (the National Party, Inkatha, and other regionally-based parties): regions must have exclusive powers, entrenched in the constitution.

"The key issue will be to identify those powers," he



Cyril Ramaphosa: charm is a more frequent weapon

says, mentioning "tree planting, dog licences, casino licences" as areas for regional control.

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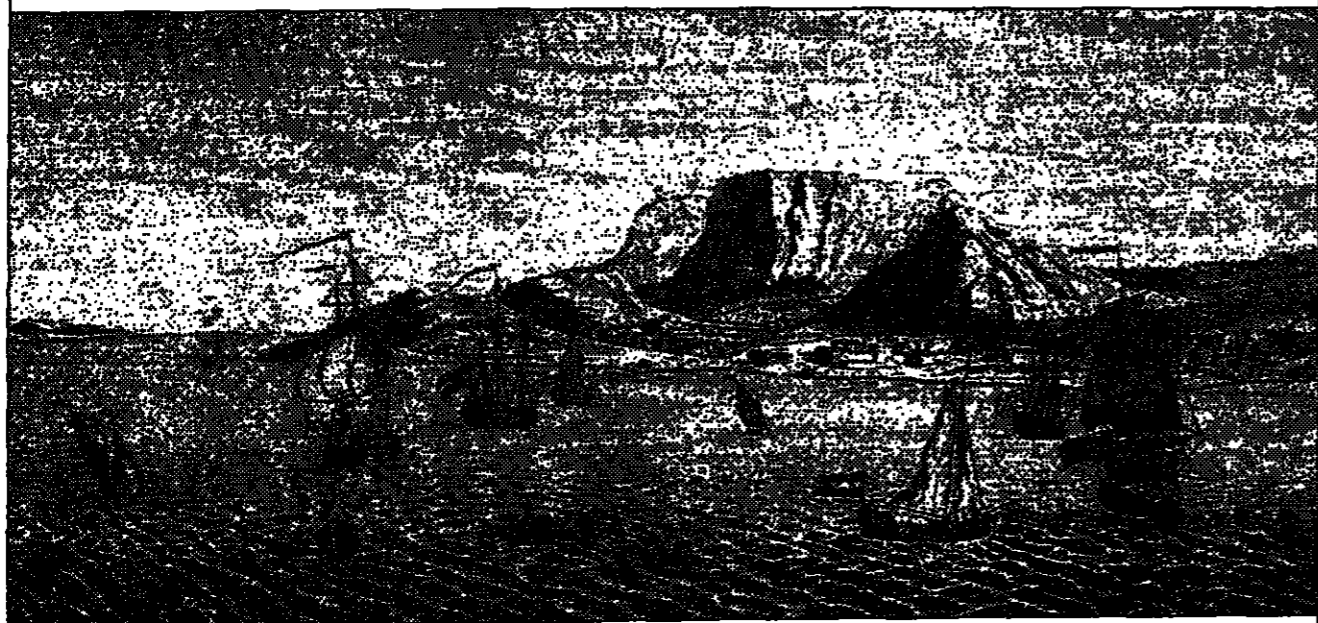


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RECENT DEVELOPMENTS ON THE SOUTH AFRICAN BALANCE OF PAYMENTS

Contribution by the South African Reserve Bank

In the wake of the political initiatives undertaken by the South African government starting in February 1990 the economy began to be re-integrated with the outside world as trade and financial sanctions abated, and the balance of payments reflected these new circumstances. On-going surpluses on the current account continue to exceed reduced net outflows on the capital account, which contributed towards a welcome improvement in the foreign reserves position. The net foreign reserves of the monetary banking sector improve from approximately zero figure in June 1989 to R11.5 billion in August last year.

Thereafter, however, the position has deteriorated with the net foreign reserves held by the Reserve Bank falling to R5.3 billion at the end of March 1993. This was partly a result of a decline in the exports of agricultural products and, in some cases, imports of grain as a result of a serious drought in Southern Africa in the first half of 1992. It also reflected a deterioration in the internal political situation which again increased the net outflow of capital.

After the breakdown of the political negotiating process in May last year and an escalation of violence in the country, the premiums which South African borrowers pay above base rates on foreign bond issues roughly doubled to 3%. This induced domestic borrowers to reduce their foreign liabilities over the past nine months or so, while the short term capital account position was weakened by adverse leads and lags movements associated with a strengthening of the dollar against the rand. All these factors combined to generate reductions in the gross foreign reserves despite the resort to short term borrowings on the part of the Reserve Bank.

On the positive side the recent pressures on the capital account have materialised at a time when the current account of the balance of payments remains in surplus, despite last year's drought. This surplus in 1992 amounted to R4.3 billion, while the cumulative current account surplus from 1985 onwards exceeds R40 billion.

The deficits on the capital account, meanwhile, have enabled the foreign debt to be further reduced, the country now being under-borrowed in terms of international norms. At the

end of 1992 South Africa's total foreign debt amounted to \$17.3 billion, which was equal to about 15% of the gross domestic product and roughly two thirds of the value of one year's exports of goods and services. Interest payments on the foreign debt in 1992 absorbed only 4.2% of the total exports of that year, a statistic which illustrates the capacity of the country to absorb new foreign capital if this becomes available.

The problems on the capital account, moreover, have not materially undermined the external position of the rand. For 1992 as a whole the effective exchange rate of the rand in nominal terms depreciated by 4.3%, compared with a decline of 6.3% recorded in the previous year. The real effective exchange rate of the rand remained relatively stable and rose by 0.3% during 1992. During the first four months of 1993 the decline in the trade weighted index of the rand gathered pace falling by 5.4%, but any improvement in the balance of payments position could be quickly reflected in a more stable rand.

In this respect, although South Africa's balance of payments position remains volatile, there are grounds for supposing that the fall in the foreign reserves since August last year could at the very least start to slow down. For one thing the surplus on the current account could now increase again. Imports of maize are now falling away in the wake of the ending of the drought, while the recent increase in the price of gold, if it is sustained, will be beneficial since every \$10 rise in the price is worth approximately \$200 million on an annual basis. Meanwhile, the short term capital account may be boosted by greater utilisation of foreign trade finance, and more favourable perceptions concerning the rand's external position.

South Africa remains cautious in its expectations concerning future capital inflows. Even so, a strengthening of the balance of payments position remains an important policy objective, and any such improvement will bolster the prospects for a subsequent recovery in the economy.

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SOUTH AFRICA 5

Philip Gawith looks at the way forward in the new South Africa for financial services

Challenge of banking the unbanked

AS BEFITS a society undergoing fundamental transition, South Africa is full of examples of poacher turned gamekeeper. A case in point concerns Moses Mayekiso, head of the SA National Civic Organisation (Sanco), one of the country's most prominent communist leaders. He has been a key figure in recent years in organising civil disobedience, such as rent boycotts, in black townships which has made the black home loan market a perilous place for banks to be.

Mr Mayekiso is the man with whom the Association of Mortgage Lenders (AML) has worked in an attempt to restore stability to this difficult market. Two months ago the AML and Sanco reached an historic agreement on a set of principles to be followed in the handling of bond payments in arrears, payment defaults and repossession of properties. The agreement is, in effect, a peace treaty between the two parties. What is telling, however, are the principles underlying the treaty which make explicit the sort of issues which need to be tackled if banking is to be successfully transacted in the new South Africa.

Home loans, of course, are a particularly politicised area. For decades apartheid decreed where blacks should live and denied to most the right to home ownership. This politicised the question of where people live, and by association, products in the housing market. The act of repossession, for example, when a loan was in

arrears, was not seen so much as the normal functioning of the system, but as a perpetuation of the apartheid plan of depriving blacks of housing.

Though politics has made home loans the most fraught area of lending, the root problem, which confronts banks across the full spectrum of their activities, is the enormous gap between the formal banking sector and the black community. The symptoms are typically South African. On the one hand, evidence of considerable sophistication - reputedly the highest number, per capita, of automatic teller machines in the world. On the other, evidence of the most basic developing country - very few black people, who constitute about 80 per cent of the population, have cheque accounts.

How to bridge this gap - to bank the unbanked, bridge the gap between first and third world, call it what you will - is a huge strategic challenge facing South Africa's banks. Given that they make handsome profits serving the first world, it might well be asked why they should bother with the problematic third world

market. There are two legs to the answer: ■ Profit: It constitutes a huge potential growth market; and

■ Self-preservation: In the words of Mr Jopie van Honschooten, head of the Community Banking Division at Standard Bank: "If you don't have stability in the wider community, then you can forget about success in the formal banking sector."

Though politics has made home loans the most fraught area of lending, the root problem is the enormous gap between the formal banking sector and the black community

credit. It will be like having first class tickets on the Titanic."

That is the easy part. The difficult question is that having decided it is a market you cannot ignore, how do you approach it, and how far do you become involved? These are still early days, but the broad outlines of the way forward are fairly clear. First, in Mr Van Honschooten's words, "new mechanisms are needed for new markets". Products developed in the developed market cannot simply be trans-

ferred into the developing market. There is ample evidence that this method has failed. New products and approaches are required.

In terms of product, banks have realised that their offerings must be more closely tailored to the actual needs of the developing community. For example, research shows that in these communities access to

market is outside the banking system, there is very little informal transmission of knowledge about banking practices - for example, how to get a home loan, what commitments are expected, what to do when in arrears, etc. If the banks want to create a sustainable environment in which to do business, they have to take on this educational task themselves.

As Mr Van Honschooten makes clear: "We're not in development per se, as some politicians would have us be. We're in development to the extent of making banking sustainable." He reminds that "the role of the bank is actually as intermediary to channel surplus savings to those who need to borrow. At our peril in South Africa do we endanger that process." The way to secure it, of course, is to maintain sound principles of risk management.

What this involves is clearly spelt out in the AML/Sanco accord which, inter alia, accepts the principles that financial institutions:

■ Have a contractual commitment to depositors to pay them an agreed return on deposits;

■ Would be unable to raise funds for lending if they didn't offer shareholders and providers of capital a fair return;

■ As custodians of the nation's savings have to act with utmost prudence in assessing risks.

These principles are balanced by others which recognise, for example, that "community empowerment, education and participation are vital to the process of creating a normal property market"; repossession should be avoided wherever possible; and the need for alternative forms of housing tenure.

In practice, what this means is that the formal banking sector is likely to limit itself to meeting the needs of the economically active - those who have stable employment and regular income. Those who are "sub-optimally economically active" - in the informal sector, with irregular income, will have their needs met by community-based structures, supported by the formal sector. In this regard a Community Banking Project under leadership of Mr Bob Tucker, formerly head of The Perm building society, has done considerable work towards establishing the commercial and practical viability of community banking in South Africa. There seems to be a reasonable prospect that community banking will soon be established in South Africa to introduce, on a pilot basis, "mass banking" into the black community.

SOUTH AFRICA'S monetary guardians over the past six months have experienced mixed blessings: significant and heartening progress in the struggle to curb inflation being countered by the sharp decline in the country's foreign reserves which fell by 35 per cent from a high of R11.5bn in August 1992 (2.8 months import cover) to R7.5bn (1.7 months import cover) six months later.

The decline in reserves was caused by a sharp contraction in the current account surplus during the second half of 1992, and an increase in capital outflows during the fourth quarter. The deterioration in the current account was largely the result of huge maize imports following the 1991/2 drought. This caused the current account surplus to decline to under R1bn in the second half of 1992 from nearly R3.5bn during the first half.

The deterioration in the capital account - capital outflows increased to R3.7bn during the fourth quarter from less than R1bn during the third quarter - was the result of large debt repayments, accelerated capital flight following renewed political unrest, and adverse "leads-and-lags" in foreign payments as the rand weakened against the dollar. By all

accounts heavy capital outflows continued in the first four months of 1993.

The first quarter of 1993 did not bring much good cheer on the trade side either with the trade balance falling to R2.9bn from R3.6bn in the final quarter of 1992 and R4.5bn a year previously. Exports were only 0.4 per cent higher than in the first quarter of 1992. Any possible dividend from the lifting of sanctions would appear to be overshadowed by world economic recession. Given net service payments and debt repayments that have to be made in the balance of the year, a continuation of this trade pattern would keep pressure on the already weak reserves position.

Coming to the rescue in recent weeks, of course, has been the sharp rise in the price of gold. Gold still accounts for about a quarter of South Africa's export earnings - R18.2bn out of a total R70bn in 1992. Having averaged R589 an ounce in 1992, the price has climbed in recent weeks to more than R1,200 an ounce. If it averages R1,150 an ounce for the year (\$360 at R3.20 to \$1 or \$940 at R3.35 to \$1) then, with gold production unchanged, South Africa stands to earn an extra R2bn in foreign exchange - a huge increase given that the current account surplus

Change in total net foreign reserves



Philip Gawith looks at international economic relations

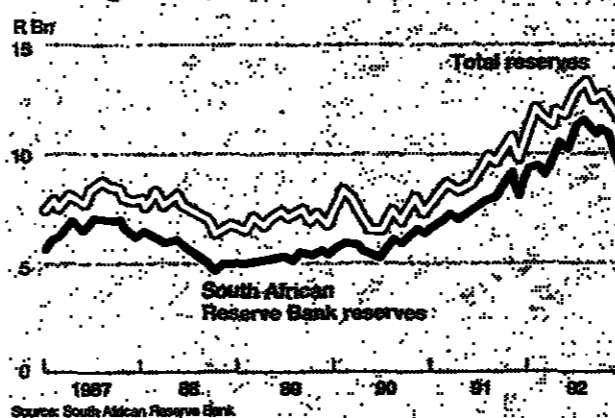
Gold offers gleam of hope

last year stood at R4.3bn.

This will not only be welcome but necessary given that South Africa could have to repay up to \$1.6bn foreign debt this year (comprising about \$440m affected debt, tied up in the debt standstill net; \$400m converted debt - that is, previously inside the net but rolled over into longer term loans;

and about \$700m unaffected debt, mostly parastatal, that is outside the net). The parastatal debt could theoretically be rolled over but following a brief Indian summer in 1991/2, South Africa is again effectively cut off from world capital markets owing to the high premiums being demanded because of political risk.

Gross gold and other foreign reserves



This saw the cost of borrowing rise from 1.5 percentage points over Libor in the first half of 1992 to three percentage points over Libor in the second half following the Boipatong massacre and the collapse of constitutional talks. Similar premiums are being sought in the aftermath of Mr Hani's assassination in April this year. "We're not the flavour of

the month," concedes a senior finance ministry official. Government and parastatals are thus redeeming all their maturing debts rather than lending endorsement to the high premiums demanded.

Whatever relief gold may provide, it is obviously too volatile to be relied upon. So, while reserves remain at such low levels - the Reserve

Bank's target is that reserves should cover three months of imports - there will be no room for easing of monetary or fiscal policy, in spite of the economy's desperate need for some rejuvenation.

An obvious way out of this bind would be access to IMF lending facilities, thus obviating the need to run a current account surplus to finance debt repayments. An IMF facility, however, appears unlikely to be offered until an interim government is in place a year or so hence. As one minister observed, the IMF seems to believe democracy in Russia can be ensured only by massive lending, whereas in South Africa the reverse obtains: lending can only begin once democracy has been achieved.

Two notes of optimism arise from recent ANC statements that they will not seek to renegotiate debt arrangements and that they will campaign for the lifting of sanctions once an election date has been announced and a transitional executive council is in place. This would be especially important in the US where state and city level sanctions effectively prevent most American and Japanese banks doing business with South Africa.

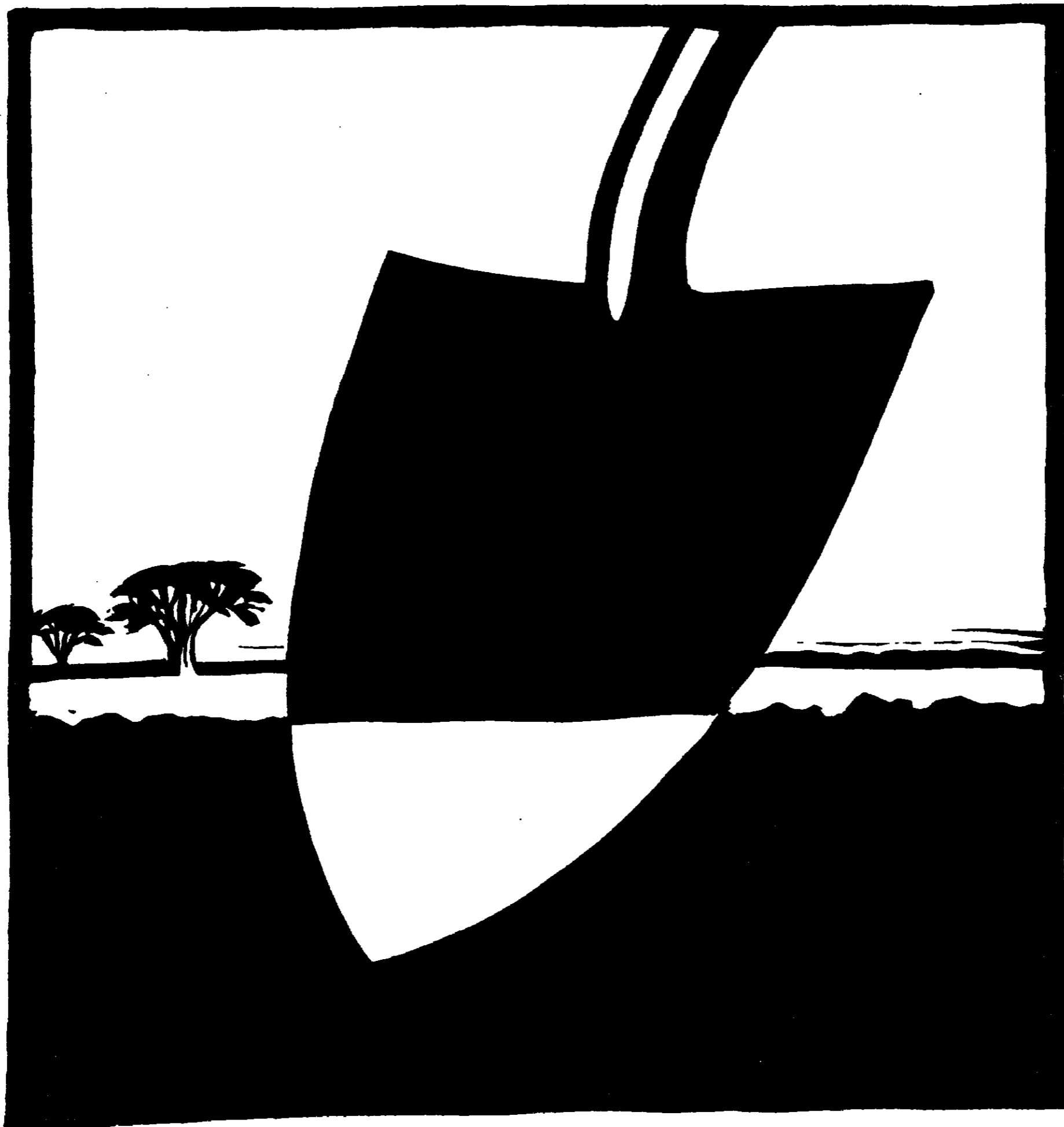
Talks held in London in April saw the South African

government reach agreement in principle with foreign creditors banks for a final debt agreement which would see all debts in terms of the standstill repaid by 2000. The agreement will be activated once it has been endorsed by the main political players whose consent is now being sought.

Such agreement is unlikely, in the short term, to be accompanied by removal of the financial rand mechanism. Dr Chris Stals, governor of the Reserve Bank, has repeatedly made clear that the potential for disruption in the run up to an election, and its aftermath, is too great to contemplate removal of the financial rand which serves as a backstop to the commercial rand. Government officials believe it will probably be removed only when foreign investors are confident that political stability has been achieved.

A related issue is whether the country should not undertake a significant devaluation to make its exports more competitive. While there is sympathy in government, no initiative seems likely until there is confidence that it will not spill over into wage and price inflation, and international economic growth suggests such a move is likely to be beneficial.

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SOUTH AFRICA 6

Philip Gawith looks at the restructure taking place in the mining industry

Gold bulls stand tall again

"GOLD IS the one object which is scarce and indestructible. It is cherished and never cast away. It never diminishes except by outright loss. It can be melted but it never changes its chemistry or loses its weight in the process... Man does not waste gold, it is too precious."

Thus spoke Mr Anton Rupert, doyen of South African industrialists, at the opening of the new Leerdam gold mine on March 1. At the time the gold index stood at 973 and such utterances smacked of one not fully at fault with gold's commodity status in a world of low inflation and derivative instruments for spreading risk.

Only three months later the index has risen to around 1080 and gold bulls again stand tall. South Africa's mining houses are understandably delighted. Having endured a flat gold price of roughly R1,000 an ounce from 1988, the rise of more than 20 per cent in recent months will boost industry profits considerably - the March quarter showed operat-

ing profit geared about 4.5 times to a price move - while offering a new lease of life to marginal producers.

Chamber of Mines estimates indicate that if the dollar gold price averages \$380 for the rest of 1993, then only about 39 tonnes of South Africa's roughly 600 tonnes annual production will be marginal - about half the figure for 1992.

Welcome though the recent price rise has been, it has not been the source of unalloyed joy. Some industry figures worry that by re-establishing a "comfort zone", the rise in the price will deflect attention from continuing the important process of structural reform under way in the industry over the past few years.

The remarkable increase in the gold price from R25 an ounce in 1988 to R1,000 an ounce 20 years later both allowed, and obscured, various other trends, not all healthy: large wage increases, unrelated to productivity; the growth of a triple bureaucracy - at mine, mining house and industry level - and

the advent of serious competition as buoyant prices brought big international money into gold. Taken together, these developments helped push South Africa from the cheapest producer in the world in 1970 to its most expensive in 1990.

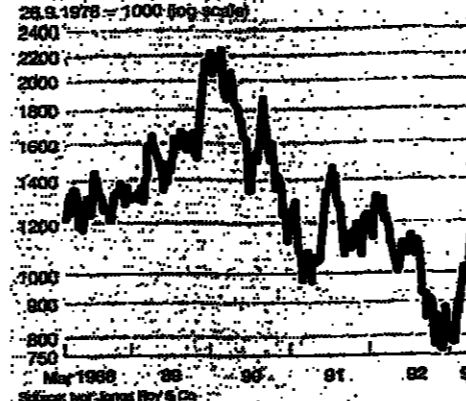
The full gravity of this situation only became apparent when the rand gold price flattened out at the end of the Eighties. The industry's response, slow initially, has been well documented. Mines shifted from a focus on mining ore to producing gold at a profit. While the annual gold production has remained unchanged at about 600 tonnes for the past few years, this has been achieved with a labour force that has shrunk by 126,000, or nearly a quarter, over the past five years.

This has been a considerable achievement, but many believe the process is not complete. Thus Mr Gary Maude, managing director of Gengold, one of the main producers, commented recently: "The feeling among my general managers is

that we haven't scratched the surface yet. We haven't really taken advantage yet of the fact that apartheid has gone. We're a very, very inefficient industry because we haven't used our people properly."

If the first phase of restructuring involved improving the existing system, Mr Maude and his colleagues are now involved in questioning the very parameters of the system - rethinking time honoured working practices. At its most basic, this would involve flattening existing work hierarchies - there can be eight levels between where the gold is mined and the chief executive and reducing horizontal rigidity, that is, trying to staff mines with generalists, rather than continuing with the existing rigid compartmentalisation of functions. Such innovation,

Johannesburg Stock Exchange All Gold Index



however, is more likely to succeed in a climate of adversity, where all involved see that survival requires it. The concern is that renewed prosperity will reduce the momentum for change, both among managers and workers.

Whatever becomes of such innovation, cost-cutting initiatives have not been restricted to the gold industry. Indeed, across the board the response

of the mining industry to the recession in commodity prices has been significant rationalisation. This was recently evident in the platinum sector when industry leader Rustenburg Platinum announced it would be closing the loss-making Boschfontein shaft. Already Impala Platinum, the second largest producer, had cut its work force by 17 per cent, while maintaining pro-

duction, and numerous expansion plans across the industry have been put on hold.

Well known, too, are the quota requirements and labour cuts which De Beers has been forced to implement in response to recession in the diamond industry, while there has also been a strong focus on cost-cutting and rationalisation in the coal sector.

Although labour cuts in the

present climate are extremely unfortunate, belt-tightening has borne some fruits. In the words of one analyst "it has created innovation and good strategic thinking. This has resulted in better management and better companies."

Hard times also offer a partial explanation for why three important mineral beneficiation projects - the Alusaf aluminium smelter, the Colimab stainless steel expansion and the Namakwa heavy mineral sands project - have received the go-ahead during the past year. The last time there was a trend towards projects which added value to South Africa's minerals was in the Sixties and early Seventies when the gold price was low and industry profit margins tight. During this period operations such as Alusaf, Richards Bay Minerals, Highveld Steel and Vanadium and ferro-alloy operations such as CMI started up. Now, as then, the logic of adding value domestically to the country's minerals rather than exporting them in raw form remains impeccable.

The government's approach to agricultural reform has been unimaginative

Farmers on the warpath

LAST MONTH Tobie Meyer, the deputy minister of agriculture, had to suffer the ignominy of being booed off the stage by a group of angry white farmers in the conservative town of Potchefstroom.

The meeting had been called to protest against the government's plan to extend employment legislation to cover farm workers. It says something for the mood of white agriculture, however, that the meeting should have been hijacked into the launch of a right wing political movement. The farmers' sentiments were aptly captured by a banner which read "Kraai het ons verraai met sy ANC melie pryse" (literally - Kraai (Van Niekirk, the minister of agriculture) betrayed us with his ANC maize price).

The banner is a reference to maize producers' anger at the government setting a lower producer price than that suggested by producer representatives. To describe a lower than desired price as an "ANC price" captures perfectly the fears and frustrations of farmers, many under severe financial stress following years of drought - though the 1992/3 season represented a return to fairly normal rainfall patterns - high interest rates and deteriorating terms of trade.

Their bloody-mindedness has not been improved by an upsurge in politically motivated attacks on remote farms and by provocative slogans, from the radical Pan Africanist Congress (PAC) in particular, about killing farmers.

The government's difficulties on the agricultural front are undoubtedly a result of the proposed political changes. Many white farmers disagree with the changes, and feel reform of the country's marketing structures, which have traditionally offered protection to poorer farmers, constitutes a further act of treachery.

In fact, the government's approach to agricultural reform has been cautious and unimaginative. It is not that it does not know the issues. In a policy speech in February, Mr van Niekirk acknowledged that the most difficult issue in future would be accommodating the expectations "of the various individuals who are interested in agriculture but not yet part of it". He added that questions about land, the

state of commercial farmers, starter farmers and how the position of subsistence farmers might be improved were important issues on which "clear answers were necessary".

Sadly, these clear answers are nowhere to be found. Mr Van Niekirk has admitted that the 1984 white paper on agricultural policy is out of date, and that a new policy is necessary to deal with issues such as possession of land, finance, new entrants to agriculture, marketing and food security. With the exception of marketing, however, the government has given little indication of how it thinks these issues might be addressed. Other parties have not done any better, with the result that there is little sense of a national dialogue under way. This is surprising, for although agriculture contributes only 5 per cent to GDP, it has important multiplier effects, and is a critical source of employment and stability in rural areas.

A good place to start in the search for a new policy would be the recently released Kassier report into the Marketing Act, the most important contribution to agricultural debate for a number of years, and pregnant with insight into the problems of, and possible solutions for, agriculture.

It constitutes a devastating indictment of government policy which, Professor Kassier argues, has produced "a largely unsustainable commercial and poorly developed subsistence agriculture". In other words, near total failure - not only in homeland areas, which it neglected, but even in the commercial sector, so long the beneficiary of government largesse.

It has also bred an agricultural bureaucracy to rank with the worst. Kassier discerned among this group a "disconcerting level of arrogance, self-righteousness and self-imposed omniscience". Individuals behave in a "very authoritarian, domineering and dictatorial manner".

Professor Kassier highlights the extent to which commercial agriculture is a socialist construct when he concludes his report: "What is needed in this country is a system where bureaucrats and politicians no longer have the power to make one rich or poor, but rather

where this depends on the ability to compete in the market place where one is judged by the consumer on merit."

Though the government professes to speak the same language, its actions tell a different story. It will probably only reply to the Kassier report in September, seven months after its publication, and its comments so far suggest consider-

able discomfort with Professor Kassier's bracing analysis.

There can be little doubt, however, that the future will see further liberalisation, especially on the marketing side. Farmers will be asked to take greater responsibility for marketing their product. This process will have to be linked to overall tariff liberalisation since tariff protection means

many farming input costs are exorbitant. On the other hand, prices are distorted by the marketing boards. The net result, says one observer, is that farmers are accustomed to buying retail and selling wholesale.

Normal political relations will also require a future government to look hard at whether South Africa would not do better to import some of its food needs from its neighbours. The government has already conceded that the correct policy focus is not food self-sufficiency, as in the past, but food security.

Philip Gawith

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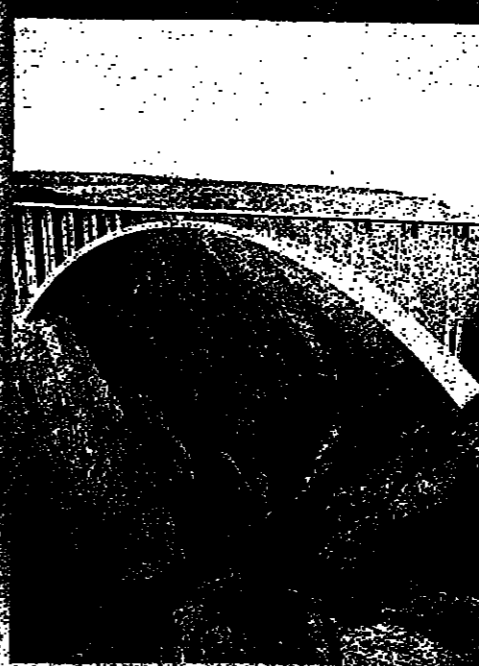
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مكتبة الأصيل

SOUTH AFRICA 7

Corporate restructuring is a hot topic in Johannesburg, says Philip Gawith

PROFILE: Marinus Daling

Unbundling is dawn of a new era

THE announcement last month by Gencor, South Africa's second largest mining house, that it plans to unbundle itself by distributing all its non-mining assets to shareholders - effectively halving its size - has made corporate restructuring the hot topic in Johannesburg.

There has been a giddy sense of the winds of change sweeping through corporate South Africa, uprooting long-established structures and signalling some sort of New Jerusalem on the Highveld.

Gencor's announcement has fundamentally shifted the terms of the debate. Now one of the capitalists has broken ranks, it is no longer possible to dismiss unbundling as an airy Marxist fancy. Indeed, it is likely that South Africa has only witnessed the dawn of an era of significant corporate restructuring.

That said, with the initial euphoria having receded, a more sober sense of what unbundling might mean for the business community is emerging. Some of the more dewy-eyed assessments that it represents a magical balm for a wide range of political and economic ailments are quietly being discarded.

Indeed, useful debate - unbundling has been on the agenda for the past three years - has been impeded by the shotgun usage of the term to embrace everything from opposition to size, concern about efficiency, worries about monopolies, desire to curb the dominant role of whites in business and the related aim of empowering blacks economically. Opponents of unbundling have too easily been able to avoid the real issues by citing the confusion of some of unbundling's proponents as reason to dismiss the concept in its entirety.

An interesting feature of the unbundling debate is that

while its basic purchase derives from the political support of the quasi-socialist ANC - motivated by its dislike of a small white clique dominating the economy - the intellectual legwork, in terms of why the concept deserves support, has emerged from the investment community where it is believed unbundling will stimulate efficiency.

Lined up against unbundling, unsurprisingly, are the leaders of South Africa's large conglomerates - such as Anglo American, Rembrandt, Anglovaal, Barlow Rand - who remain sceptical of the economic merits of unbundling. They tend to argue that the issue turns on what is good for the shareholder - the same criterion, incidentally, Gencor used to justify its decision.

Their scepticism about unbundling is not difficult to understand. Mr Peter Cronshaw, of Genbel, Gencor's investment arm, distinguishes "dynamic" conglomerates, that have been developed by families, and "republican" conglomerates, such as Gencor, where there is no definite line of succession. He points out that

Lined up against unbundling, unsurprisingly, are the leaders of South Africa's large conglomerates

because the former have developed from the efforts of entrepreneurs, with these individuals/families likely still to have a stake in the business, different dynamics are at play compared to Gencor where no such considerations were at stake.

Ironically, since Gencor's announcement, the rise in the gold price has again provided a reminder of the benefits of diversity. Notwithstanding deep economic recession both



All eyes are now on 44 Main Street, headquarters of the giant Anglo American Corporation

Picture: Glyn Oakes

in South Africa and internationally, a company such as Anglo will benefit considerably from its large gold holdings. Thus, while Gencor has bathed in commentators' plaudits for its bold decision, it has been the Anglo share price which has approached record highs. In fact, the underperformance of Gencor's share price against the All Share index since the announcement is a reminder that the market has yet to show significant enthusiasm for unbundling.

While the view of the market doubtless confers a nice warm feeling down at 44 Main Street, the headquarters of Anglo, there is enough strategic savvy in Anglo to know that this is by no means the end of the argument. It is an overwhelming probability that the next government, at the instigation of the ANC, will take a tougher line than is at present the case on the related issues of anti-trust policy and the structures of corporate control. Given this, a measure of pre-emptive action - some gesture which

unequivocally carries the message "We are on the side of change" - clearly has advantages. As one analyst noted: "If you're a Boer army and you see the redcoats coming over the hill, you don't just stand there. You melt into the hillside."

Also, there are examples in most of South Africa's large groups of subsidiaries which appear to have withered in the shade of the parent company. In such cases unbundling would appear to have a positive role to play.

Although a measure of pre-emptive restructuring should not be ruled out, politicians would have to be very naive to believe corporate South Africa will undertake voluntary unbundling on any significant scale. More likely is that the process will have to be encouraged by a new government. If the process is not to degenerate into a fiasco of heavy-handed intervention, then at least two steps will be necessary. First, a clear delineation of priorities - for exam-

ple, whether corporate restructuring is primarily about economic justice or economic efficiency, given that the two will probably clash in practice. Also, a distinction between the separate, if related, issues of black empowerment, competition policy and corporate restructuring.

Second, careful empirical study, on an industry by industry basis, of why certain structures have evolved - for example, a state sanctioned cartel between three cement producers - and what utility they still have.

There is little doubt that South Africa stands to benefit from a freeing of existing control structures. Equally, there is considerable potential for harm if the corporate sector is to be bludgeoned with an ideologically motivated restructuring policy. So far the debate has been characterised by much rhetoric and little research. This balance needs to be reversed if South Africa is to get the useful sort of restructuring.

Insurance chief is an unlikely business hero

MARINUS DALING, chief executive of Sankorp, the group that manages the strategic investments of the Sanlam insurance group and driving force behind the Gencor unbundling and Metropolitan Life black empowerment announcements last month, is an unlikely business hero.

He has no profile outside the investment community, does not have a compelling physical presence, and is far too well-mannered to make the grade as a ruthless corporate buccaner. Also, anyone in search of ground-breaking initiatives in the South African corporate world would have been most unlikely to commence his investigations in Bellville, home of the giant insurer. Its image has been that of a conservative, Afrikaans organisation, dominated by grey men in grey suits wearing grey shoes.

Some of these judgments must now be revised. Mr Daling may hail from the small Northern Transvaal town of Nylstroom, and speak with a thick Afrikaans accent, but there is nothing hick about his thinking on corporate structure and investor strategy. He deserves praise, too, for encouraging decisions - not without risk - which not only have favourable political resonances in the new South Africa, but show that South Africa is coming more into step with international business norms.

Though not denying the outcome, Mr Daling is emphatic that neither decision was politically driven. "Any businessmen who tries to take fundamental decisions with a political agenda must have his head read." Instead, particu-

larly with the Gencor deal, he has the institutional investor at the heart of his thinking, stressing two needs: he wants to compile his own portfolio (that is, not have managers of a conglomerate, such as Gencor, do it for him); and he wants to invest in shares with a predictable behaviour. "We have to make sure that we give him counters that satisfy the need. The only thing you got out of Gencor was spread of risk" (countered by uncertainty as to where next a conglomerate might invest - anathema to the focused investor who wants to know where his money is going).

Mr Daling concedes that in

"It is a genuine attempt to try and do something for the economy"

the early 1980s he, like many other South African executives, was overly concerned with control. The issue now, he says, is: What can we do to add value? His answer - create vibrant businesses, exposed to market forces, where management are given room to develop with definite focus. He talks like one liberated of a great burden. "If you concentrate on control there is an end to the road. It is a finite experience. If you talk of adding value there is no end. It is like the search for quality."

Although Mr Daling says there was no Damascus experience, he does admit that Derek Keys - now finance minister - who he brought in to run Gencor in 1986, "played a major role in forming my personal ideas about how you see the

business world."

As to the Metropolitan Life deal (Sankorp is selling 10 per cent of MetLife for R140m to a new company that will not only be controlled by blacks, but which will also have effective control over MetLife) Mr Daling describes it as a "genuine attempt to try and do something for the sake of the economy. If we're going to have a good future we have to have all the people participating in the economy. Our policyholders' money is in this country. We have to make it work. We have no choice."

He cites two reasons why people shouldn't be surprised at this initiative coming from Sanlam - first, when formed 75 years ago, Sanlam was a vehicle for economic empowerment of the Afrikaner. "We (Mr Daling is Afrikaans) know the power of the life assurance industry to empower economically." Second, the formation of Gencor was made possible by a similar act of corporate statesmanship from Anglo when it gave the Afrikaans community the opportunity to entrench its foothold in the mining sector.

Mr Daling believes South Africa will see more unbundling and black economic empowerment initiatives "because both are commercially sound transactions". Although unwilling to prescribe to other conglomerates, he makes one telling point. "In decision-making you must go to where the knowledge is. But knowledge is decentralised and in some conglomerates the decision-making power is on top, so you have a short circuit."

Philip Gawith

"I THINK it's extremely dangerous to be ruled by people who have no material stake in the country. We've got to see that people in the majority have as large a share in the material assets of the country as we can."

No one would disagree with Mr Harry Oppenheimer, patriarch of the South African business community, when he argues that black economic empowerment is crucial to the success of democracy in South Africa.

Whatever the moral arguments in favour of affirmative action - or the utilitarian arguments against it - South Africa has no option but to tackle the legacy of apartheid, which overwhelmingly prevented the entry of blacks to the managerial and entrepreneurial classes.

The scale of the task is enormous: blacks have only a token presence on the boards of leading quoted companies, top management is almost entirely white, middle management is little better, and the country



Harry Oppenheimer envisages further sales to black investors

can boast only one large black-owned company (National Sorghum Breweries, which manufactures sorghum beer for the black market).

The recent sale of 10 per cent of the insurance company Metropolitan Life to a black company, Methold - a deal which will give black investors effective control over Metropolitan Life (see box) - is a mere drop

Black economic empowerment is crucial to the success of democracy

Society needs to be re-invented

in the ocean, says Methold deputy-chairman Enos Mabuzza.

Mr Oppenheimer envisages further such deals, modelled on the sale of General Mining to Afrikaans business interests in the 1960s, a parallel attempt at Afrikaner economic empowerment. But he notes: "Of course, it's more difficult to do than it was in the old days because largely they (the blacks) haven't the capital to do it and very often they haven't the skills to do it. But still, these things will grow: both the capital and the skills."

The Industrial Development Corporation, the state-owned body which provided R137m to finance the MetLife deal, can help with the problem of capital, as it did for the Afrikaner. But empowering a couple of million Afrikaners is far

cheaper than financing the advance of 23m blacks; and the skills problem is acute.

That is South Africa's dilemma (the mirror image of the problem facing the US over the past three decades): affirmative action must be applied to advance the vast majority of the population, not just an ethnic minority. And after decades of poor education and state barriers to black capital formation (through regulations forbidding or restricting black business), that majority departs from a very low base.

Not surprisingly, the prospect of black-led government has set black expectations running high: the National African Federated Chamber of Commerce, the black business federation, has demanded that all listed companies have 30

per cent black board representation by 2000, that blacks hold 40 per cent of equity and 60 per cent of posts at all management levels.

The white business community can take comfort from the fact that the African National Congress puts forward no such rigid (and unrealistic) quotas: the head of the ANC economics department, Mr Trevor Manuel, says the idea of legislating affirmative action "goes against the grain" (though it is still under debate). The ANC's goal is to "raise consciousness on the issue, try to develop systems which may be appropriate" (words which will scarcely frighten business), though affirmative action must be pursued with vigour in the civil service, which is overwhelmingly dominated by Afri-

kaners who could easily frustrate ANC political objectives.

But business knows that its best option is to undertake pre-emptive action now, rather than risk legislated quotas in future - when an ANC government may be tempted to opt for the cheap solution of imposing quotas rather than investing in black advancement through grassroots education and health services.

"Any company that wants to survive is looking at affirmative action," says Ms Wendy Luhabe, whose company Bridging the Gap tries to place candidates in companies seeking to advance blacks. "They're frustrated because there aren't that many qualified black people. But they're looking for ready-made people. They have to take in graduates and begin



Derek Keys: "We need to re-invent society"

to develop those people instead," she says, adding that companies must learn to focus on the "qualities" of applicants, not formal qualifications which they lack.

The message from Ms Luhabe, and from other successful black business people, is that affirmative action should not compromise competency. Black and white busi-

nessmen alike agree that economic growth should not be jeopardised by too drastic action, and that appointments should be made on merit. They argue that the pool of talented blacks is larger than it looks: once selection processes are no longer biased against blacks, and prejudice no longer impedes legitimate promotion, black advancement can proceed apace - at no cost to standards, or to growth.

Time will tell how large is the element of wishful thinking in this scenario (few affirmative action programmes worldwide have succeeded under conditions of economic stagnation such as prevail in South Africa). But at least all principal players agree on the ultimate goal: says finance minister Derek Keys: "We need to re-invent society in the same way as it was re-invented with the empowerment of the Afrikaner in the 1930s" - and not by merely exchanging white apartheid for black.

Patti Waldmeir

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Dr. John Muree, Chairman, Eskom Electricity Council



ESKOM

SOUTH AFRICA 8

"SETTLER! Settler!" The group of youngsters chants derisively as our car passes them before drawing up outside Sebokeng's dilapidated post office. Thabo Mopheng, local chairman of the ANC Youth League, welcomes us with a grin. "Have you come to look for disillusioned youth?"

The sprawling black township 25 miles from Johannesburg is in the front line of the struggle for change in South Africa. If Nelson Mandela cannot carry his young urban constituents along with him in his pursuit of power, any settlement he signs will be a fragile affair.

So far at least, the ANC leader's pragmatism is supported by Mopheng and his colleagues. Their slogan for 1993 - "the year of no nonsense" - reflects sound civic sense: they support the negotiations, and look forward to a new government that will tear Sebokeng's dusty, potholed roads, introduce electricity, build clinics and schools, and crack down on crime. "This is a nice location, really," says one "comrade" wistfully, surveying the rows of box-like houses, the regimented effect softened by the occasional tidy lawn.

The ANC has divided Sebokeng into blocks and given them revolutionary names. We start with Nambila and drive through Libya and Palestine. Stopping in Angola, we gather with Youth League members in the

Andrew Gowers and Michael Holman travel from Sebokeng to Tuynhuys to discover where the real power will lie

Gap between negotiators remains wide

local bar-cum-nightclub.

All agree that a government of national unity is a good thing - provided the ANC is in charge. "The party which wins chooses the other parties," asserts one. Would the cabinet include non-ANC ministers? Certainly room should be found for Pik Botha, South Africa's long-serving foreign minister. "His experience is needed," Inkatha leader Mangosuthu Buthelez? Heads shake in disapproval. F.W. de Klerk? Mopheng grimaces.

Twenty-four hours later and 1,000 miles away in his Tuynhuys residence in Cape Town, President de Klerk provides a very different interpretation of a coalition government. He envisages an inner cabinet of the main party leaders who take decisions on "fundamental issues" by consensus. "We believe that all major parties must play a fundamental role," he says. "I have no doubt that my party will be one of those."

The gulf between Sebokeng and Tuynhuys is the essence of South Africa's political crisis. Time and again, during two weeks of interviews around the country, the conversation returned to this critical differ-

ence on the meaning of power-sharing between black and white.

Roelf Meyer is one of the men charged with bridging it. A quietly-spoken, courteous young Afrikaner, he is the chief government negotiator in the multi-party talks at Johannesburg's World Trade Centre. But in spite of his close personal rapport with his ANC opposite number, Cyril Ramaphosa, he is constrained by his constituency. Meyer stresses

Their slogan for 1993 - 'the year of no nonsense' - reflects sound civic sense

that a coalition or government of national unity is not a matter of "co-opting parties, but real power sharing." What does this mean in practice? "This has still to be thrashed out between Mandela and de Klerk. So far they have not addressed the details."

Ramaphosa, the ANC secretary-general, puts it quite differently. "In a government of national unity naturally an inner cabinet will evolve,

where deadlocks will be resolved." But this does not mean he accepts de Klerk's call for a formalised consensus: "They haven't given up a white veto. But they can never have it."

Least there is any doubt about the pressures Ramaphosa himself is under within the ANC. Tokyo Sexwale, a regional chairman and one of its more populist voices, provides a timely reminder. "We've reached a situation where the ANC doesn't have to call for action any more. These days the ANC is beginning to run behind the people. It is a very explosive situation."

Such warnings have their uses. No one in the ANC alliance has proved more adept in turning them into negotiating advantage than Joe Slovo. Once the leading *bête noire* of white South Africa, Communist leader Slovo now commands a sneaking respect among his conference table adversaries, and judges them shrewdly. "There is a feeling of urgency about talks that wasn't there a year ago," he insists. The economy is in trouble, the government's alliance with Inkatha has broken up,

the National Party is divided: "They need a settlement. It's a question of survival - they have nowhere else to run to."

In the pressure to produce quick results, however, lies danger, as independent observers of the talks anxiously underline. John Kane-Berman, director of the Institute of Race Relations, cautions against rushing headlong into a flawed settlement: "There's a lot of talking up of this process. I've always been worried about unrealistic deadlines" a reference to the proposed April 1994 election date.

What worries me is that you will have bilateral deals between certain parties but the levels of violence in some areas of the country will make elections there meaningless. But having set a deadline you will steam ahead with elections and put the clamps on dissenters."

Frederick van Zyl Slabbert, former liberal MP and academic, concurs that the talks can give a false impression of progress: "Every time they agree to put something aside and not talk about it becomes a breakthrough. It's a political farce. The ANC and the government are playing 'coup

poker' - they scare the hell out of each other and then find common ground. I find it very difficult to see an elected national unity government in the next year - more likely is a hybrid civilian-military agreement to stabilise the situation with a self-appointed government of national unity endorsed by a phoney referendum."

But the most sombre assessment of all comes from a senior backroom member of

The gulf between Sebokeng and Tuynhuys is the essence of South Africa's political crisis

the ruling National Party, a man who has been at the heart of white South Africa's move towards the negotiating table in the last decade. "I have very serious doubts about an election in a year's time because of the problem of violence."

This man, who prefers to remain anonymous, sees a dangerous decline in white morale. "The National Party has moved from holding a monopoly of power to sharing power.

The problem is that power sharing is not happening. The ANC has to understand that we must retain whites in this country, not as a subjected people but as a people with a stake in the new dispensation. The only thing that stands between South Africa and the chaos that is the rest of Africa is for enough people with skill and experience to keep it going to stay around. They happen to be mostly white."

Second only to power sharing as a bone of contention is the issue of how, or whether, to accommodate Chief Buthelez, the Zulu leader of the Inkatha Freedom Party. Chief Buthelez wants his provincial stronghold of Natal to have its own assembly with a substantial degree of self-government, something the ANC resists. Joe Matthews, one of his key negotiators, believes the ANC is becoming more flexible on the issue: "For the ANC power is now that close - the overwhelming imperative is to get into government. The details matter less."

What worries the IFP, however - and what could still prompt it to walk out of the talks - is the suspicion that

the ANC and the government are pursuing a hidden agenda which will in the end leave Chief Buthelez high and dry. It is a conspiracy theory shared by those on the extreme right and left of South Africa's political spectrum.

"Decisions are being made for our people without their participation. We are opposed to power-sharing because we don't know what it contains," says Johnson Mlambo, deputy chairman of the Pan Africanist Congress (PAC).

Pieter Mulder, a leading Conservative Party MP, voices a similar sense of frustration. And as the process unfolds, he says, the anger on the right can only grow. "The realities of the proposed solution are coming to the fore. Up until now it was just rhetoric. The myth is that the election will solve everything; you only have to look at Angola to see that violence is not necessarily ended by an election."

That, at least for some, is the grim reality that lies behind the optimism so frequently expressed at the conference centre in Johannesburg. For all their procedural progress, negotiators seem no closer to resolving the big question: where in the new South Africa will the real power lie?

As long as Sebokeng and Tuynhuys offer such fundamentally different answers, a lasting settlement seems out of reach.

Philip Gawith discusses the problems facing the tourist industry

Dressed up with nowhere to go

THE PROBLEM facing the South African tourism industry was aptly illustrated last month by the state president, Mr F.W. de Klerk, when he opened the Indaba, the annual tourism marketing forum, in Durban.

He started his speech by quoting a famous passage from Alan Paton's novel *Cry the Beloved Country*, the most well known book written about South Africa:

"There is a lovely road that runs from Ixopo into the hills. These hills are grass covered and rolling and they are lovely beyond the singing of it."

As Mr de Klerk noted, Ixopo is not far from Durban. Sadly, "those same rolling hills, and some other parts of our coun-

try are now scenes of violence." Having shaken off the stigma of apartheid, the tourism industry now finds itself saddled with the stigma of violence.

That is the perception: it matters little that most of the country is untouched by violence.

Although figures supplied by the South African Tourism Board (Satour) show that foreign visitors increased last year by 7.4 per cent to 560,000 (excluding 2.1m visitors from Africa), this was a long way short of the 20 per cent growth hoped for.

The Indaba itself provided confirmation of hard times in the industry. The corridors of the huge exhibition hall were

hardly bustling and many participants said business was quiet. It was very much a case of an industry all dressed up with nowhere to go.

To be fair, economic recession is also an important factor. Indeed, some in the trade argue that it is a more important determinant of business activity than violence.

One such person was Mr Nick Seewer, general manager of the prestigious Mount Nelson hotel in Cape Town. He said the hotel was doing very well, had had its best April in years, and summer bookings were good.

He made the point that seasoned travellers, of the sort that frequent his sort of establishment, know South Africa

and are not easily put off.

Lower down the market, however, the pinch is being felt. Mr Heider Pereira, operations director of Southern Sun, the country's largest hotel group, confirms a 25 per cent increase in cancellations after the assassination in April of Chris Hani, the black political leader.

Whether stability will bring the riches the industry feels it deserves - "our fair share of the market" - is another matter.

Tourism only accounts for about 2 per cent of South Africa's GDP compared to an international average of 6 per cent. Clearly there is enormous potential for growth given that the quality of the product is

not in dispute, and Satour has set targets of 966,000 annual foreign visitors by 1995 and 1.75m by 2000.

Stability alone, however, will not see these targets realised. Recent surveys show declining consumer satisfaction in areas such as "value for money" and service. These shortcomings need to be rectified if South Africa is to establish itself as a competitive, user-friendly destination.

On the other hand, tourism can only benefit from the increased priority it now enjoys with government. A new ministry, solely responsible for tourism, has been established; a White Paper, outlining the development of the industry has been published and deregulation continues (evident in the dramatic increase in the number of international carriers flying to the country, from 19 in 1990 to 36 in 1993).

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CHAIRMAN OF THE BOARD OF DIRECTORS REVIEW FOR THE FINANCIAL YEAR ENDED 31 MARCH 1993

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THE PAST YEAR

Founding Denel proved to be the start of a highly challenging task. Excellent progress was made during the past year in establishing Denel as a financially independent and viable organisation. The progress made thus far is in sharp contrast with the complete and unmitigated commercialisation activities of a similar kind in various other parts of the world.

During its first year Denel proved that it was capable of operating a business in a professional manner and with success. Denel was founded in a period that could probably be described as the most unfavourable for business activity since the 1930s. The South African economy had shown a negative growth rate in real terms for the third consecutive year, with inflation as well as interest rates at relatively high levels. In addition, the domestic scene was characterised by political turbulence and endemic unrest which, on the one hand, discouraged investment in South Africa by potential foreign investors and, on the other, seriously hampered Denel's marketing efforts abroad.

At an international level the poor economic conditions and political pressures experienced from various sides, compounded and inhibited Denel's foreign marketing efforts in particular as far as products for the security forces were concerned.

However, Denel's business plan provided for the risks associated with a complex and difficult economic environment and managed them accordingly. As a result Denel has, in its first year, performed considerably better than envisaged by the business plan and achieved several remarkable results. Profit was 12% higher than budgeted, the balance sheet was bolstered, cash flow was strictly managed and a dividend was declared.

The excellent results of the past year were, however, counterbalanced by a number of setbacks. Various proposals, which could have led to large contracts were unsuccessful, while the turnover target for commercial products could not be met in full due to the highly competitive consumer market. The elimination of unprofitable operations as well as the curtailment of certain activities made a personnel reduction inevitable. We greatly regret the fact that employees who had served us well could no longer be retained.

Management continuously focused on various aspects during the year, the most important of these being asset management, the retention and utilisation of know-how and expertise, the maintenance of traditional methods and the identification of alternative future markets. Good progress was also made with the development of new products for new markets.

We are satisfied with the progress of success obtained in establishing a business culture striving for profitability and effective assets management.

THE FUTURE

It can be anticipated that both the South African and international economies will grow at only a moderate rate during 1993/94. Denel is entering a year in which the economic environment will remain difficult, while the political environment will be characterised by uncertainty and a high level of turbulence.

The current worldwide surplus production capacity will result in a decrease in the international demand for Denel's products. The competition will therefore only increase its international market share by supplying quality products at competitive prices.

Indications are that South Africa will have to move towards an economic policy focusing on the export of manufactured goods. This shift in policy has already been accounted for in Denel's future planning and the aim is to use the commercial product portfolio combined with all expertise, into the dominant part of the turnover within five years. Consequently, attention will be focused on attaining an optimal market share in existing markets and on the worldwide development of new markets. To enlarge the existing market base and become more competitive, Denel will enter into alliances and partnerships with local and foreign companies.

ACKNOWLEDGEMENTS

The progress made in achieving our objectives can largely be attributed to the positive relationship with Minister Dierckx de Vries, the fine guidance of the Board of Directors, the support of the Board of Directors, the dedication of the management team under the complete leadership of Mr John Marais, and our loyal personnel. I record my sincere appreciation to all involved in achieving these fine results.

John Marais

DR JOHN MARAIS
27 April 1993

RESULTS FOR THE YEAR ENDED 31 MARCH 1993	
INCOME STATEMENT	BY ANCHOR SHEET
Revenue	100.0
Operating Profit	12.0
Profit Before Tax	10.0
Profit After Tax	8.0
Dividend	2.0
Reserves	6.0
Balance Sheet	100.0
Assets	100.0
Liabilities	0.0
Equity	100.0

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Profitability with responsibility

JCI manages the world's largest producer of platinum and also has major interests in gold, diamonds, chrome, coal, base metals, property, and a variety of consumer industries. The company is constantly looking for profitable expansion of its business, based on its core expertise in mining and metallurgy.

As a large corporation JCI has a role to play beyond its direct business activities in securing South Africa's transition to a prosperous democracy based on socially responsible free enterprise. We support numerous initiatives notably in the education and small business fields, aimed at stimulating creation of jobs, wealth and long-term economic development.



Johannesburg Consolidated Investment Company, Limited